

Canadian Nuclear Safety Commission

For the period ending March 31, 2006

Departmental Performance Report

Gary Lunn
Minister of Natural Resources

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SECTION I: OVERVIEW

Message from the President and Chief Executive Officer

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2005–2006 Performance summary

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



I am pleased to present the 2005–2006 Performance Report of the Canadian Nuclear Safety Commission.

This report covers my fifth year as President and Chief Executive Officer (CEO) of the Canadian Nuclear Safety Commission (CNSC). I was pleased that Her Excellency, the Governor General in Council, recently appointed me to a second five-year term as President and CEO of the CNSC. This report highlights the results of the activities undertaken by the CNSC over the past year in fulfilling our mission of regulating nuclear energy and materials to protect health, safety, security and the environment and to respect Canada's international commitments on the peaceful use of nuclear energy.

During 2005–2006, the CNSC, as the federal agency responsible for regulation of nuclear energy and materials under the *Nuclear Safety and Control Act* (NSCA), focused its activities on delivering its plan as outlined in its Report on Plans and Priorities. This plan outlines priorities in all five strategic areas of the CNSC: regulatory framework; licensing and certification; compliance; cooperative undertakings; and stakeholder relations. In addition, we are committed to the improvement of our governance and accountability.

Canadians look to the CNSC to be effective in its oversight of the Canadian nuclear industry. This industry's scope is, arguably, the broadest, most wide-ranging and most international in the world. This report speaks to the effectiveness of our role, anchored by what is considered the clearest and most modern nuclear legislation in the world, separating the oversight of health and safety from economic and political interest. The effectiveness of the CNSC is based on the excellence of our staff and our international stature, where we contribute to and adopt international standards within the Canadian context. Whether they are standards for nuclear safety, safeguards or waste management, the CNSC meets or exceeds international norms, and places the international standards experience within a Canadian context. Canadians expect, and can count on, the CNSC to meet high standards for safety and security.

Another expectation of Canadians is that the regulatory process will be accessible and transparent. Whether a mayor from a community next to a power plant, a patient being treated with nuclear medicine in a hospital, or a driver of a transport truck carrying uranium ore, individual Canadians expect to be able to find out about the regulatory process which protects their health, safety and security and that of their community.

Furthermore, the CNSC is very aware of the need to be efficient in its oversight of the nuclear industry - not at the expense of effectiveness, but to ensure that this oversight is based on risk-informed processes which are clearly communicated to industry and conducted in the most expeditious and modern approach possible.

The industry that the CNSC regulates has been experiencing substantial growth in all segments, including power generation, uranium mining and milling, nuclear waste facilities and industrial

and medical uses of nuclear substances. This is creating a significant increase in the CNSC's workload, since nuclear regulation is exclusively under federal jurisdiction, and CNSC oversight is absolutely essential before any facility can be built or operated.

I wish to highlight three issues that are of particular interest in the current environment:

First, the possibility of new nuclear power plants in Canada. Although in 2005–2006, the CNSC did not receive an application by any proponent to build a new nuclear power plant, the CNSC has already developed an updated licensing process to be followed for the licensing of any new nuclear power plant. The CNSC is prepared to receive significant new licensing applications in several areas of its mandate, including power reactors, medical clinics and waste management.

Second, the CNSC has been active in some important international arenas during the last year. It was an honour for me to preside over the Review Meeting of the International Atomic Energy Agency's (IAEA) Convention on Nuclear Safety as the first Canadian President. This meeting allowed signatory countries to the Convention on Nuclear Safety to demonstrate their commitment to the safe operation and effective regulation of nuclear power plants. The Canadian report, presented by the CNSC at the Review Meeting, clearly demonstrated the high level of safety standards met by Canadian industry and enforced by the CNSC since the previous Review Meeting. In addition, the IAEA announced in September 2005 that it had drawn its broader safeguards conclusion for Canada, and thereby declaring—for the first time—the IAEA's confidence in the peaceful nature of Canada's nuclear activities. This opens the door to a new, made-in-Canada approach to safeguards activities in the future. The CNSC has also further augmented its vigorous security oversight program with a new comprehensive approach for tracking radioactive sources, in line with Canada's commitment to the Code of Conduct on the Safety and Security of Radioactive Sources.

Third, the CNSC acknowledges the increased scrutiny of all federal agencies by the Government of Canada, and has augmented its already vigorous accountability and governance regime with a new Quality Management Program based on international criteria.

The CNSC invites all Canadians, parliamentarians and interested parties to consult our Web site at www.nuclearsafety.gc.ca for more information on our regulatory activities.

Sincerely,

Linda J. Keen, M.Sc

MANAGEMENT REPRESENTATION STATEMENT

I submit, for tabling in Parliament, the 2005-06 Performance Report for the Canadian Nuclear Safety Commission.

This document has been prepared based on the reporting principles contained in the *Guide for the Preparation of Part III of the 2005-2006 Estimates: Reports on Plans and Priorities and Departmental Performance Reports*:

- It adheres to the specific reporting requirements outlined in the TBS guidance;
- It is based on the CNSC's approved Program Activity Architecture structure as reflected in its Management Resources and Results Structure (MRRS);
- It presents consistent, comprehensive, balanced and reliable information;
- It provides a basis of accountability for the results achieved with the resources and authorities entrusted to it; and
- It reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

Linda J. Keen, M. Sc.
President and Chief Executive Officer

Date

SUMMARY INFORMATION

1. Mission, vision and values

The CNSC's mission is *to regulate the use of nuclear energy and materials to protect health, safety, security, and the environment and to respect Canada's international commitments on the peaceful use of nuclear energy*. In pursuing its mission, the CNSC¹ is working toward its vision of *becoming one of the best nuclear regulators in the world*.

To realize its vision, the CNSC is committed to:

- ensuring the effectiveness of its regulatory regime
- operating with a high level of transparency
- attracting and retaining excellent staff
- maintaining the efficiency of its regulatory regime

In carrying out its mandate, the CNSC values quality, integrity, competence, dedication and respect for others.

2. Governance and program delivery at the CNSC

As well as a federal regulatory agency, the CNSC Commission is an independent quasi-judicial administrative tribunal, established in May 2000 when the *Nuclear Safety and Control Act* (NSCA) came into force. The CNSC is a departmental corporation under Schedule II of the *Financial Administration Act* and reports to the Parliament through the Minister of Natural Resources (NRCan).

The CNSC's Regulatory Fundamentals Policy (P-299) states that persons and organizations subject to the NSCA and its associated regulations are directly responsible for managing activities in a manner that protects health, safety, security, and the environment, while respecting Canada's international obligations. The CNSC is answerable to the Canadian public, through Parliament, for regulatory policies and programs that ensure these responsibilities are properly met.

Under the NSCA, the CNSC regulations apply to all nuclear industries including, but not limited to:

- nuclear power reactors;
- non-power nuclear reactors, including research reactors;
- nuclear substances and radiation devices used in industry, medicine and research;
- the nuclear fuel cycle from uranium mining through to waste management; and
- the import and export of controlled nuclear material, dual use material, equipment and technology identified as proliferation risks.

¹ Note: The Canadian Nuclear Safety Commission is referred to as the "CNSC" when referring to the organization and its staff in general, and as the "Commission" when referring to the tribunal component.

The CNSC also administers the *Nuclear Liability Act*, conducts environmental assessments under the *Canadian Environmental Assessment Act* and is mandated to implement Canada's bilateral agreement with the International Atomic Energy Agency (IAEA) on nuclear safeguards verification.

As an independent regulatory body, the CNSC considers it crucial to preserve public confidence and trust in the fairness of its decision-making processes. Maintaining arm's-length relationships with both government and industry is critical to sustain that confidence. While the Minister of Natural Resources is answerable to Parliament for the agency's activities, the President and Chief Executive Officer (CEO) of the CNSC is accountable to Parliament and the public for the exercise of her powers. Thus, the President and CEO of the CNSC can be called upon to appear before parliamentary committees to account for the performance of the CNSC in achieving its objectives and plans, to answer questions on spending and administrative matters, and to address specific issues.

Financial and operational plans and performance are detailed in an *Annual Report*, a *Report on Plans and Priorities* and a *Departmental Performance Report* that are submitted each year to the Minister of Natural Resources for tabling in the House of Commons.

All information held by the CNSC, including information submitted in support of licence applications and compliance-related reports, is available to the public upon request, with the exception of security-sensitive, commercially confidential and personal information. The CNSC adheres to the government policy of disclosure on contracts, travel and other expenses for senior management, reclassifications of personnel, grants and contributions, and audit reports by the internal audit and ethics group. The policy of the CNSC is to be transparent on regulatory matters so that Canadians do not need to use the formal access-to-information process to obtain information.

The Commission—whose members are appointed by the Governor-in-Council—is separate from the CNSC staff to maintain independence when making licensing and related decisions. The Commission sets overarching regulatory policy, establishes regulations as required, and decides on major licence applications, renewals and related requests. With respect to public hearings, interested stakeholders and intervenors are invited to make their views known to the Commission either in person or through written submissions. All decisions made by the Commission, and the reasons for those decisions, are published. The CNSC's staff advises the tribunal, implements the tribunal's decisions and enforces compliance with regulatory requirements.

3. Funding of CNSC Operations

The CNSC's operations are funded through annual appropriations from Parliament. The CNSC's workload and therefore its resource requirements are driven largely by the demand for licensing and oversight, and the nature of Canada's international commitments.

When its workload increases, the CNSC applies to Treasury Board for permission to increase its cost-recoverable expenditures and related fee revenues accordingly and/or to receive new program funding.

Most costs incurred for the CNSC's regulatory activities are recovered by the federal government from licensees under the Canadian Nuclear Safety Commission *Cost Recovery Fees Regulations* (2003). Fees are collected by the CNSC and deposited into the Consolidated Revenue Fund and are not a source of revenue for the CNSC. Some licensees, such as hospitals and universities, are exempt from paying fees.

Fees are not charged for activities the CNSC is obliged to conduct and which have no direct benefit for identifiable licensees. The activities include honouring Canada's international commitment to the non-proliferation of nuclear weapons, undertaking public responsibilities such as emergency preparedness and public information programs, and maintaining the NSCA and associated regulations.

In 2005–2006, the CNSC recovered approximately 62 percent of its total cost of operations from fee-paying licensees. Information on CNSC's Cost Recovery Program is available in Section III, Table 6 of this report.

Additional Funding Resources Received for 2005–2006

As a result of growing activity in all areas of the nuclear sector, the CNSC has experienced a substantial increase in its workload in most areas of responsibility. It is forecast that the CNSC's workload will continue to increase over the course of the next 10 years. In 2005–2006, the CNSC received approval for additional funding of \$6.5 million in 2005–2006 and \$13.7 million in 2006–2007, to address immediate resource shortfalls. However, the CNSC continues to seek longer-term funding that would enable it to alleviate anticipated workload pressures. The CNSC allocated funding to a strategic recruitment campaign targeted towards scientific candidates. Specialized scientific talent is in limited supply and the CNSC is competing with a growing nuclear industry to attract candidates. In 2005–2006, approximately 40 staff members were hired; recruitment efforts will continue in 2006–2007. In addition, the CNSC acquired additional accommodations for new-staff and for support services, which were expanded to allow operational programs to function effectively.

Subsequent to year-end, the Government of Canada allocated \$93 million in additional funding over the next five years in its *May 2006 Budget Papers*.

4. Challenges and Risks

In 2005, the CNSC updated its annual, comprehensive review of the pressures and risks it will have to address in the future. Licensees contributed to the review on a commercially confidential basis. The review confirmed that the Canadian nuclear industry is experiencing significant growth in all segments of the nuclear cycle and in virtually all areas where nuclear substances are used in industry, medicine and research. The CNSC continues to monitor change in its operating context to ensure an effective and timely regulatory regime.

4.1 Life-extension of nuclear reactors

Canada has 22 nuclear power reactors, many of which are approaching the end of their designed operating lives. Two units at Ontario Power Generation's Pickering "A" nuclear power station in Ontario have been permanently shut down. With respect to the remaining 20 reactors,

licensees and applicable governments are either embarking on refurbishment projects or conducting feasibility studies for life extensions. In 2005, New Brunswick announced approval for investment in life-extension of the Point Lepreau reactor. In October of the same year, the Ontario government announced an agreement with Bruce Power Inc. to refurbish - and return to operation - two units at the Bruce A site. Decisions to proceed with life-extension programs or shutdown and decommission other power reactors in Ontario and Quebec will be made over the next few years.

In addition, CNSC is reviewing Atomic Energy of Canada Limited's application to continue operation of the National Research Universal (NRU) reactor at the Chalk River Laboratories until 2012 (beyond projected end-of-life of 2005).

4.2 *Plans to build new power reactors*

There was a significant shift in the outlook of governments and nuclear operators in 2005–2006 with respect to the construction of new power reactors in Canada. Factors cited in the Ontario Power Authority's December 2005 report to the government of Ontario include increased electricity demands in Ontario due to economic growth, and plans to shut down the province's coal-fired power plants by 2009. The report recommends that planning begin for the construction of new nuclear-generating capacity. A decision by the government of Ontario to act on this recommendation would result in the first new nuclear-power development in decades.

To clarify the licensing process for licensees, governments and the public, in February 2006 the CNSC published Information Document 0756 entitled "Licensing Process for New Nuclear Plants in Canada". The CNSC still needs to develop an up-to-date regulatory framework for the design, construction, commissioning and operation of new nuclear power plants. Such a framework must take into account modern international standards to the extent practicable.

The CNSC has no opinion on the choice of nuclear power, and does not provide input into the nuclear technology that could be chosen. However, newly built reactors require extensive environmental assessment and licensing reviews before the Commission can proceed with licensing of site preparation, construction and operation. (More details on the CNSC's environmental assessment and licensing process for new nuclear power plants are available in Section II subsection 2.1: Improving the licensing and certification process.)

4.3 *Nuclear medicine, radiation therapy, nuclear substances and radiation devices*

Licensing and compliance activities associated with the regulation of nuclear substances, radiation devices, prescribed equipment and Class II nuclear facilities-where prescribed equipment is used for medical, industrial and research purposes-have increased substantially. The number of licences issued for Class II nuclear facilities (principally cancer treatment facilities) has grown 86 percent, from 153 to 285, in the five-year period between 2000 and 2005. The number of such licensed facilities is expected to total at least 500 by the year 2015. In addition to the licensing and compliance work associated with the construction of new facilities, the CNSC needs to license the refurbishment of existing cancer treatment facilities.

4.4 *Uranium mines, mills and processing facilities*

The construction of new nuclear power plants in Asia, improved reactor operations throughout the world, and the extension of the operating lives of reactors have increased demand for uranium. Canada produces 30 percent of the world's uranium, of which 80 percent is exported. To meet demand, licensees are accelerating production from existing mines, developing smaller deposits of ore and exploring new sources of uranium throughout Canada. Any new mining will involve CNSC approvals, amendments and/or the issuance of new licences by the Commission. Depending on the scope of the proposal, some projects may also require environmental assessments.

4.5 *Nuclear waste management*

Both industry and government are moving forward with a number of initiatives to ensure nuclear waste is handled effectively and expeditiously. Federal and provincial governments have undertaken programs to deal with legacy waste issues in several provinces and territories, while the nuclear power industry is expanding its waste storage facilities to accommodate the increased volumes of nuclear waste associated with ongoing operations and reactor-life extension projects.

OPG and the Municipality of Kincardine, Ontario recently entered into a hosting agreement for the permanent disposal of low and intermediate radioactive waste in a deep geological waste repository on the Bruce Power's "Bruce A" nuclear site. The CNSC has received notice of OPG's intent to file an application with the Commission to license this permanent radioactive waste disposal site. In addition, the Nuclear Waste Management Organization (NWMO) submitted a report to the Minister of Natural Resources outlining options and recommendations for the long-term storage disposal of spent nuclear fuel. The CNSC will be responsible for regulating any facilities designed and constructed for long-term spent fuel storage or disposal.

4.6 *Nuclear security and emergency management*

National security and emergency management remain priorities. The CNSC continually verifies, through its regulatory compliance program, that licensees are following the enhanced security measures implemented following September 2001. Nuclear security programs include: the regulation of the physical security of nuclear power plants and nuclear facilities licensed to process nuclear substances (e.g. research facilities); monitoring of high-risk nuclear substances and materials, performance testing, security-clearance of armed response force personnel; and participation in international nuclear security initiatives. The CNSC is working closely with officials from other agencies in Canada, the United States and the international community, to gather and analyze intelligence, maintain the worldwide nuclear security network and develop appropriate emergency management plans to deal with unexpected events.

One critical nuclear security issue is the diversion of nuclear material and radioactive sources for unauthorized or malicious acts. International expectations in this area are set out in the new IAEA *Code of Conduct on the Safety and Security of Radioactive Sources* (the Code) which Canada has committed to implement.

4.7 *International safeguards*

In recent years, demands have been placed on Canada to increase the scope of the nuclear materials and facilities that are declared to the IAEA. The CNSC is responsible for implementing the safeguards agreements between Canada and the IAEA, which has significantly increased its verification efforts. As a follow-up to the conclusion received from the IAEA in September 2005, the CNSC will be working with the appropriate Government departments and agencies to design a policy framework and obtain the resources necessary to ensure that Canada's new national safeguards program is effective and responsive to the needs of Canadians and the international community.

4.8 *Public hearings and stakeholder consultation*

As governments and licensees make decisions about nuclear power plant life-extensions, investments in new nuclear plants, and waste management, public interest in nuclear matters has heightened. The expansion in all regulated sectors of the nuclear industry is driving the need for more frequent Commission hearings. Furthermore, citizens are requesting that more hearings be conducted in the communities most affected by the licensing decision. The CNSC has also received requests for easier and faster access to information related on matters before the Commission.

4.9 *Staffing requirements to meet the increased workload*

One of the CNSC's most critical challenges is to ensure it has an adequate number of staff with the appropriate mix of scientific, technical and professional knowledge, skills and experience. It is difficult for the CNSC to attract and retain the required expertise due to growth in the nuclear sector, which has led to an increased demand in industry for persons with the same skill sets.

2005–2006 PERFORMANCE SUMMARY

The CNSC uses a strategic framework for planning, monitoring and reporting. Plans for future years are articulated in the CNSC's *Report on Plans and Priorities* (RPP). The plans for this reporting year were outlined in the 2005–2006 RPP.

The CNSC has one strategic outcome:

Safe and secure nuclear installations and processes used solely for peaceful purposes and public confidence in the nuclear regulatory regime's effectiveness.

To achieve this outcome, the CNSC has one program activity (as defined by the Treasury Board of Canada's *Program Activity Architecture*): nuclear regulation.

The following tables show a comparison of actual expenditures incurred against planned spending of the CNSC for 2005–2006.

Financial Resources (\$000)

Planned spending	Total authorities	Actual spending
\$71,095	\$78,937	\$75,550

Human Resources (Full-time Equivalents (FTE))

Planned	Actual	Difference
526.0	516.8	9.2

The CNSC established the five priority areas for 2005–2006 based on the immediate outcomes documented in its logic model (see Section IV- Other Items of Interest). In addition, underlying the CNSC's strategic framework is its management and enabling infrastructure. This infrastructure consists of management, human resources, finance, and information services processes and infrastructure programs that enable the CNSC to perform the necessary activities to meet the requirements of good governance with a high level of accountability.

The following table summarizes the CNSC's 2005–2006 performance against its plan.

CNSC PRIORITIES: 2005-06 STATUS ON PERFORMANCE

CNSC strategic outcome: Safe and secure nuclear installations and processes used solely for peaceful purposes and public confidence in the nuclear regulatory regime's effectiveness.				
Alignment with Government of Canada outcomes by sector				
○ Economic: ▪ a clean and healthy environment				
○ Social: ▪ healthy Canadians with access to quality health care ▪ safe and secure communities				
○ International: ▪ secure world through international cooperation				
Priority outcome	Priority type	Performance status	Planned spending \$000's	Actual spending \$000's
A clear and pragmatic regulatory framework	Ongoing	Successfully met	7,829	6,183
Individuals and organizations that operate safely and conform to safeguards and non-proliferation requirements	Ongoing	Successfully met	17,226	15,180
High levels of compliance with the regulatory framework	Ongoing	Successfully met	30,388	30,830
CNSC cooperates and integrates its activities in national/international fora	Ongoing	Successfully met	11,252	17,010
Stakeholders' understanding of the regulatory program	Ongoing	Successfully met	4,400	6,347

SECTION II: CNSC's PERFORMANCE AGAINST PLANS

Performance Report Card

Detailed Performance Analysis

- 1. A clear and pragmatic regulatory framework.**
- 2. Individuals and organizations that operate safely and conform to safeguards and non-proliferation requirements.**
- 3. High levels of compliance with the regulatory framework**
- 4. CNSC cooperates and integrates its activities in national/international nuclear fora**
- 5. Stakeholders' understanding of the regulatory program**
- 6. Management and Enabling Infrastructure**

PERFORMANCE REPORT CARD

The following Table indicates the status of the planned activities set out in the CNSC's RPP 2005–2006. Details concerning these activities are provided in this section; additional information can also be obtained by contacting the CNSC directly.

Status (as of March 31, 2006)			
••	Completed	D	Delayed or stopped
•	Partially completed	>	Ongoing core activity
I	Initiated		

1. Regulatory framework

	2005–2006 RPP committed priorities:	2005–2006 RPP committed plans:	Status
1.1	A <i>Nuclear Safety and Control Act</i> (NSCA) which incorporates adequate powers to protect public health, safety and security, conserve the environment and respect Canada's international commitments on the peaceful use of nuclear energy.	Review the effectiveness of the NSCA on an ongoing basis and assess aspects for possible improvements.	>
1.2	Effective regulatory strategies and regulations that are aligned with national regulatory policies, consistent with Smart Regulation principles, and incorporate international recommendations where appropriate.	Develop nuclear safeguards regulations based on the requirements of the Safeguards Agreement and Additional Protocol.	D
		Revise the following existing regulations:	
		<i>Nuclear Security Regulations</i>	•
		<i>Nuclear Substances and Radiation Devices Regulations</i>	•
		<i>Class II Nuclear Facilities and Prescribed Equipment Regulations</i>	•
		<i>Nuclear Non-Proliferation Import and Export Control Regulations</i>	I
		<i>Canadian Nuclear Safety Commission Rules of Procedure and Canadian Nuclear Safety Commission By-laws</i>	D
		Review all regulations under the NSCA and practices codified in regulatory documents on an ongoing, systematic and consultative basis.	>
1.3	An integrated and consistent set of regulatory documents including policies, standards and guides that clarify regulatory requirements and expectations.	Develop regulatory policies, standards and guides.	>
		Influence and adopt international standards where applicable to the Canadian context.	>
		Strengthen the multilateral guidelines and export control lists on nuclear supply to counter contemporary nuclear proliferation threats.	>

1.4	A modernized safeguards framework for Canada, including safeguards regulations, standards and guides as well as an enhanced CNSC role in safeguards implementation.	Enhance cooperation with the IAEA in the development and introduction of an integrated safeguards approach for Canada.	>
1.5	Contribute to any changes to the <i>Canadian Environmental Assessment Act</i> (CEAA).	Work with the Canadian Environmental Assessment Agency on changes that impact either the CNSC's role as a regulatory authority or its environmental planning oversight responsibilities under the NSCA.	>

2. Licensing and certification

	2005–2006 RPP committed priorities:	2005–2006 RPP committed plans:	Status
2.1	Improve the licensing and certification processes.	Implement a consistent, risk-informed methodology for licensing across all licensing areas.	•
		Formulate strategies for licensing new nuclear power plants and waste management solutions.	•
		Formulate an approach for the regulatory oversight of aging nuclear power facilities.	•
		Clarify licensing and certification expectations through improved documentation of processes and clear communication with licensees.	•
2.2	Improve the effectiveness and efficiency of the Commission Tribunal licensing process.	Undertake an evaluation of—and implement continuous improvements to—the tribunal process.	>
2.3	Implement the licensing and certification processes in accordance with the CNSC's regulatory regime.	Prepare and implement after decision, licensing recommendations for Commission hearings or Designated Officer consideration.	>
		Continue independent and transparent assessment by the Tribunal of applications for licences in accordance with the NSCA and regulations.	>

3. Compliance

	2005–2006 RPP committed priorities:	2005–2006 RPP committed plans:	Status
3.1	Complete the implementation of risk-informed compliance strategies to guide compliance activities in all regulated sectors.	Continue the implementation of a consistent, risk-informed approach for the selection of level and type of compliance verification required, with a focus on power reactor regulation.	•
3.2	Assure Canadians of the continuing compliance and safety performance of licensees.	Conduct ongoing compliance promotion, verification and enforcement activities.	>
		Develop and implement a licensee information management system that enables CNSC staff to record, report and access current compliance information and inspection results and trends.	D
		Strengthen the CNSC's safety-performance rating system through more consistent application, as well as better communication of the rating basis to licensees and the Canadian public.	•
		Finalize the development and implementation of a revised baseline compliance program for nuclear facilities which reflects the evolving nuclear context and is risk-informed.	•

3.3	Assure international agencies that the use of nuclear material, substances and technologies in Canada complies with the Government of Canada's international commitments.	Apply the requirements of multilateral conventions and arrangements.	>
		Exercise controls with bilateral partners using formal administrative arrangements and continue to reconcile nuclear inventories.	>
		Implement the requirements of the Canada-IAEA <i>Safeguards Agreement and Additional Protocol</i> for the verification of the peaceful use of nuclear energy in Canada.	>

4. Cooperative undertakings

2005–2006 RPP committed priorities:		2005–2006 RPP committed plans:	Status
4.1	Effective, efficient and cooperative CNSC Emergency Preparedness framework and infrastructure.	Maintain and continuously improve the CNSC's emergency response capacity and influence on federal, provincial and municipal participants.	>
4.2	Strengthen the effectiveness and improve the efficiency of the IAEA safeguards system.	Provide technical support and other resources necessary to the IAEA's safeguards program.	>
4.3	Effective cooperation with international, federal and provincial organizations, departments and agencies.	Establish and review cooperative arrangements with foreign nuclear regulators, and federal and provincial organizations, departments and agencies on an evergreen basis.	>
		Determine, evaluate, track and report the CNSC's participation in international activities on nuclear-related matters.	>

5. Stakeholder relations:

2005–2006 RPP committed Priorities:		2005–2006 RPP committed Plans:	Status
5.1	Stakeholders awareness of the process for becoming an active intervenor in the licensing process (e.g., participation in Commission Hearings).	Explore processes for Commission proceedings.	>
5.2	Improvement in communication and consultation to build sustained, consistent relationships with stakeholders directly affected by the CNSC's regulatory regime.	Conduct a well-structured and sustainable Outreach Program.	>
		Monitor the public environment and issues, and develop and implement proactive and reactive communications plans for external stakeholders.	>
		Implement a strategic communications plan.	●

6. Management and enabling infrastructure

2005–2006 RPP committed priorities:		2005–2006 RPP committed plans:	Status
6.1	Governance, accountability and stewardship	Ongoing good governance and strategic direction.	>
		Implement a Quality Management program.	>
		Ongoing maintenance of internal control regime.	>
6.2	Values and ethics	Implement a modernized Values and Ethics program.	●

6.3	People	Strengthen leadership and management capacities.	>
		Provide ongoing support for recruitment and retention initiatives.	>
		Negotiate and implement a collective agreement.	>
		Address the needs of non-unionized employees.	>
6.4	Risk management	Complete implementation of a risk-management framework in the Corporate Services Branch.	•
		Ongoing strategic environmental scanning.	>
6.5	Results and performance	Implement an integrated information-management improvement plan, including electronic records-management using the required information technology tools.	•
		Ongoing preparation and use of results and performance information to make decisions and report in a transparent and effective manner.	>
		Establish key performance standards.	••
		Complete implementation of a performance-measurement framework, including key corporate measures of performance.	•

DETAILED PERFORMANCE ANALYSIS

1. A CLEAR AND PRAGMATIC REGULATORY FRAMEWORK

The CNSC is committed to maintaining clarity and pragmatism in its regulatory regime so that licensees are aware of—and able to comply with—all requirements related to the protection of Canadians and the peaceful use of nuclear energy and materials.

The CNSC's regulatory framework is composed of:

- The *Nuclear Safety and Control Act* (NSCA), regulations and regulatory documents
- The *Safeguards Agreement* and *Additional Protocol* between Canada and the International Atomic Energy Agency (IAEA)
- Canada's bilateral and multilateral Nuclear Cooperation Agreements and associated Administrative Agreements
- The *Canadian Environmental Assessment Act*
- The *Nuclear Liability Act*

The key enhancements to the CNSC regulatory framework during the reporting year are described below.

1.1 *Nuclear Safety and Control Act*

The *Nuclear Safety and Control Act* (NSCA) must continue to incorporate adequate powers to protect health, safety, security, and the environment, and to respect Canada's international commitments on the peaceful use of nuclear energy. The act, which gives the organization its specific regulatory authority, does not state a mandatory statutory review period; however, the CNSC maintains an ongoing review. In 2005–2006, the CNSC developed, in conjunction with the Department of Justice, a Miscellaneous Amendments program for the NSCA. Under this program, amendments are submitted to the Department of Justice as a preparatory measure should the Government of Canada decide to subject the NSCA to a review.

1.2 *Effective regulatory strategies and regulations*

The CNSC undertakes an ongoing, consultative and risk-informed approach to the development and amendment of regulations, regulatory strategies and licensing requirements. All new or amended regulations ensure up-to-date consistency with international recommendations and with regulatory best practices.

The development of new regulations, once a need is identified, requires approximately three years, depending on the nature of feedback received in the consultation process. In 2005–2006, the CNSC continued to develop the scope of the new *Nuclear Safeguards Regulations* to clarify and consolidate the measures that licensees must undertake as part of a national safeguards program. These measures are based on the requirements of the *Safeguards Agreement* and *Additional Protocol* between Canada and the IAEA.

In addition to these new regulations, the CNSC has focused on amending a number of existing regulations to strengthen regulatory requirements and to reflect the latest international standards. Revision of the *Nuclear Security Regulations* has been in process for a number of years.

Following extensive consultation, the revised regulations were published in the *Canada Gazette* in June 2005 and will be in place by the end of 2006–2007 (Note: on August 29, 2006, the Nuclear Security Regulations received Governor-in-Council approval. The revised regulations will come into force on November 27, 2006). More details of the amended regulations can be found in Section IV: Other Items of Interest.

1.3 Regulatory Documents Clarify Requirements and Expectations

Acts, regulations, licences and directives administered by the CNSC establish nuclear regulatory requirements. The CNSC provides instruction, assistance and information on these requirements, in the form of regulatory documents. The CNSC maintains a regulatory documents Framework on its website². This framework lists current, in-process and future regulatory documents by regulatory safety area. Three types of Regulatory Documents issued by the CNSC are policies, standards and guides. Identification and prioritization of new regulatory documents is ongoing, based on consultation with stakeholders and assessments of relative risk.

In 2005–2006, the CNSC published two regulatory standards for safety analysis and reliability programs at nuclear power plants, and another standard and guide relating to environmental protection policies, programs and procedures at Class I facilities, which mostly include nuclear power plants and uranium mines and mills.

In addition, a number of new regulatory documents are still in development. These address current areas of risk discussed in Section I including: the management of aging nuclear power plants and their life extension, radioactive waste management, emergency preparedness, security, nuclear non-proliferation and today's increased need for security awareness. More details of the regulatory documents under amendment in 2005–2006 can be found in Section IV: Other Items of Interest.

1.3.1 Alignment with international standards

A key guiding principle in the development of the CNSC's regulatory framework is to adapt existing documents and standards. As outlined in more detail in Section III, subsection 4, the CNSC participates in IAEA technical working groups and standing committees responsible for the development of international standards in nuclear regulation, as well as with a number of other international nuclear regulatory groups. This allows Canada to contribute to the advancement of international norms, resulting in clearer and more comprehensive regulatory tools that build on world experience and are aligned with internationally accepted best practices. For example, the CNSC's draft regulatory document *Requirements for the Disposal of Nuclear Substances (S-307)*, which is currently with stakeholders for consultation, incorporates the IAEA's Safety Standards document RS-G-1.7 *Application of the Concepts of Exclusion, Exemption and Clearance Safety Guide*. The document, once adopted, will set out the conditions by which licensees must dispose of nuclear substances in line with international standards.

1.3.2 Countering contemporary threats of nuclear proliferation

Canada has acted on its commitment to the safe and secure use of radioactive material by endorsing the IAEA *Code of Conduct on the Safety and Security of Radioactive Sources* (the Code). Canada is the world's largest manufacturer and exporter of radioactive sources that are used in a variety of medical, industrial and research activities. To counter contemporary nuclear

² http://www.nuclearsafety.gc.ca/eng/regulatory_information/documents/index.cfm

proliferation threats, the CNSC is reinforcing the effectiveness of Canada's multilateral non-proliferation and export control regime. Under the Code, the CNSC is developing regulatory processes for the import and export of sealed sources (Category I and II). This will achieve a high degree of safety and security of certain high-risk radioactive sources, and will reduce the likelihood of accidental harmful exposure or malicious use.

1.4 *A modernized Canadian safeguards framework*

The CNSC, in cooperation with the IAEA, is preparing for the implementation of an integrated safeguards program to meet Canada's obligations. The purpose is to assure Canadians, international agencies and partners that all nuclear material is adequately accounted for in Canada. The program will clearly identify CNSC and its licensee requirements. In 2005–2006, technical aspects of safeguards implementation represented a large portion of the work of the Canada-IAEA safeguards consultations and of the Integrated Safeguards Working Group.

1.5 *The environmental assessment process*

In 2004, the Government of Canada announced plans to consolidate environmental assessments under the *Canadian Environmental Assessment Act*. During the 2005–2006 reporting period, the CNSC has been working with other independent tribunals such as the National Energy Board and the Canadian Transportation Agency, and has consulted with stakeholders on this government-wide initiative to streamline the environmental assessment process. The CNSC advised the Canadian Environmental Assessment Agency on possible options and their potential impacts on the CNSC's regulatory activities and decision-making responsibilities under the Act. In June 2005, the Commission approved a streamlined process of CNSC's Environmental Assessments.

2. INDIVIDUALS AND ORGANIZATIONS THAT OPERATE SAFELY AND CONFORM TO SAFEGUARDS AND NON-PROLIFERATION REQUIREMENTS

2.1 *Improving the licensing and certification process*

2.1.1 *Implementing a consistent, risk-informed licensing methodology*

The CNSC continued to integrate a consistent, risk-informed approach into its licensing processes. Following its development in 2004–2005, a risk-informed program has been fully implemented for the regulation of nuclear substances. With respect to the licensing of uranium mining, milling and processing, waste management facilities, non-power reactors, research and test facilities and Class I accelerators, a risk-informed decision-making process was included in the documentation of a single, consolidated licensing process. For each type of licensee, the risk factors that need to be considered during decision-making were documented. The risk-informed methodology has been further expanded to include measures relating to Canada's nuclear non-proliferation policy, import and export controls and safeguards requirements. In this regulatory area, a draft integrated risk-management framework and supporting guidelines were completed.

The introduction of risk-informed regulatory programs into the licensing and compliance of complex power reactors poses a wide variety of challenges. In 2005, a working group was established under the CNSC's Power Reactor Regulation Improvement Program (PRRIP) to develop a risk-informed decision-making process for regulatory activities. A process based on Canadian standard CAN-CSA Q850 was adopted in consultation with CNSC staff and management, licensees and subject matter experts. A pilot implementation period is scheduled

to begin in May 2006. Feedback following the pilot will lead to full implementation in the power reactor regulatory business line.

The implementation of a risk-informed licensing-decision process across the CNSC will provide a more systematic means for the allocation of regulatory resources to risk priorities. It will also provide stakeholders with clearer information concerning licensing and operational requirements and expectations. With an understanding of regulatory requirements and comprehensive compliance activities, licensees are expected to develop safety practices commensurate with the respective risks.

2.1.2 Licensing new nuclear power plants

There has been much recent discussion on the need for new nuclear power plants in Canada—particularly in Ontario—to meet the growing demand for electricity. Governments, CNSC licensees and other stakeholders have requested information from the CNSC on the regulatory requirements and process for licensing new nuclear power plants. As a result, in 2005–2006 the CNSC proactively published a high-level information document on the CNSC's licensing process for new nuclear power plants in Canada. The document outlines the CNSC's expectations for all stakeholders, with an emphasis on the environmental assessment process. It is a precursor to a series of regulatory documents that will need to be developed if new reactor projects are to proceed. Further regulatory program development will require CNSC to seek additional funding if a decision to proceed with new nuclear power reactors is announced.

2.1.3 Waste Management

The CNSC published Regulatory Policy P-290, *Managing Radioactive Waste*, in 2004 to guide licensees and CNSC staff on regulatory expectations for possible new waste management solutions when considering design, operating and decommissioning plans for new nuclear power plants. To support this policy, a draft Regulatory Guide G-320, *Assessing the Long-Term Safety of Radioactive Waste Management*, was issued for public consultation in the fall of 2005. This document encourages licensees to assess the safety of their radioactive waste management facilities in a manner that is acceptable to the CNSC. It is scheduled to be published in 2006. When licensees are well-informed about a licensing matter, the CNSC's licensing reviews can be more effective and efficient.

2.1.4 Reactor Refurbishment

Most of the existing nuclear power plants in Canada have reached a point where licensees must decide whether or not to extend the operating life of the facilities. In 2005, life-extension projects were announced for New Brunswick's Point Lepreau reactor and two of Ontario's Bruce Power Inc. units at Bruce A. The CNSC began drafting a regulatory document which addresses oversight for aging nuclear facilities in Canada.

In February 2006, CNSC staff presented their recommendations to the Commission on New Brunswick Power's application to renew its operating licence for the Point Lepreau Nuclear Generating Station. The Commission's decision was rendered on May 18, 2006 and the licence was renewed until June 30, 2011. This period covers a major planned project to shut down and refurbish the facility to extend its operating life.

2.1.5 Clarifying licensing expectations

The CNSC continued to clarify and improve the consistency of its licensing process across all nuclear regulatory sectors. For uranium mining, milling and processing, nuclear substance processing, waste management, research and test facilities, as well as non-power reactors and Class I accelerators, consistency has been improved by mapping and analyzing processes, and adopting best practices where possible. This has resulted in clarification of the licensing process in which Designated Officers are involved. Under the NSCA, the Tribunal may delegate certain licence decisions to a Designated Officer (DO)—usually a member of the CNSC staff. The documentation of standardized processes for both daily work and orientation purposes improves consistency across licensing activities, formalizes accountability and provides a level of knowledge retention when staff members leave the CNSC.

2.1.6 Improving operator certification

As mandated under the NSCA, the CNSC continues to administer a recertification program for operating staff at nuclear power plants. This ensures that operating staff maintain the required levels of knowledge and skills to operate these facilities safely. In 2005, the CNSC implemented a program to assess continuous training programs provided to operators by licensees. The CNSC assesses these programs to ensure that licensee employees complete the required recertification examinations.

2.2 *Improve the effectiveness and efficiency of the Commission Tribunal licensing process*

In 2005–2006, the Commission conducted 29 public hearings, an increase of 93 percent from the year 2004–2005. Submissions from applicants and input from CNSC expert staff and interested stakeholders were duly considered by the Commission and documented in detailed records of proceedings. Twenty-three decisions were released within the 30-business-days standard and another six were released within 35 business days. These turnaround times are, by far, the fastest within the Canadian administrative tribunal community.

Various initiatives were undertaken in 2005–2006 that have improved the effectiveness of the Commission's licensing role. As indicated earlier, the Commission determined that it will now decide on all licence amendments and CEAA proceedings related to Class I facilities and uranium mines and mills in either closed or public hearings. This removes the confusion of authority that previously existed when some decisions were made by the Commission and others by Designated Officers of the CNSC. While this initiative has significantly increased the workload of the Commission, it provides more procedural certainty and makes the decision-making process for significant facilities more rigorous and transparent. Guidance documents related to this particular initiative were developed in 2005–2006 for publication in 2006.

In 2005–2006, the Commission streamlined the CEAA process to make it more efficient and effective. Decisions on Environmental Assessment (EA) Guidelines for Class I facilities and uranium mines and mills are now made by the Commission via an abridged process in closed sessions. Depending on the complexity of the issue, the possible impacts on the environment and the level of public interest, hearings for EA Screening Reports are either conducted through the abridged process or via the one-day public hearing process. The abridged process varies the rules to shorten the notification and filing periods, limits participation to licensees and CNSC staff, and in some cases, relies only on written submissions. Members of the public still have

many opportunities to present their views, both at the EA stage during consultations led by CNSC staff or the proponent, and at the licensing stage. It should be noted that all EA screenings for facilities other than Class I or uranium mines and mills are conducted by Designated Officers in a more streamlined process, given the lower complexity and nature of these facilities. The changes to the Commission's role in holding hearings to approve EA Guidelines and Screening Reports have resulted in a more focused execution of CEEA responsibilities by the Commission and CNSC staff. The lines of authority between the Commission and the Designated Officers are no longer ambiguous, and the process has been streamlined to account for a proper balance of public consultation, regulatory effectiveness and risk-informed decision-making.

2.3 *Implement the licensing and certification processes in accordance with the CNSC's regulatory regime*

The CNSC staff continued to sustain its ongoing workload for existing facilities while implementing its improvement agenda. The staff continued to perform the required analysis and prepare recommendations for Commission hearings or Designated Officer consideration and to provide regulatory oversight of the licensing requirements. The tribunal continued independent and transparent assessment of applications, ensuring that all stakeholders have the opportunity to provide input.

During the year, the Commission amended over 250 licences for high-risk sealed source users. The amendments added new licence conditions under which it is mandatory for certain licensees to report specific information on use and movement of high-risk sealed sources. The immediate amendment of these licences allows the CNSC to begin implementation of the requirements of the IAEA Code of Conduct with respect to tracking of high-risk materials.

The Licensing Process for New Nuclear Power Plants in Canada



There have been no new nuclear power plants built in Canada in the last 25 years, and there has been much recent discussion of a need for new nuclear power plants in Canada—particularly in Ontario—to meet the growing demand for electricity. Governments, CNSC licensees and other stakeholders have requested information from the CNSC on the regulatory requirements and process for licensing new nuclear power plants.

As a result, in February 2006, the CNSC published an information document entitled *Licensing Process for New Nuclear Power Plants in Canada*, a precursor to a series of regulatory documents that will be developed over the next few years. The document is based on the requirements of the Nuclear Safety and Control Act (NSCA) and associated regulations, and provides a clear, consistent and transparent process for licensing new nuclear power plants in Canada. It also outlines the CNSC's expectations for all stakeholders, with

emphasis on the environmental assessment process that will be required for any new nuclear power plants. It is important to note that as of March 31, 2006, the CNSC had not yet received any applications to begin the licensing process for a new nuclear power plant. However, the document was prepared in response to requests for guidance, and in order to facilitate open communication with stakeholders.

In addition to publishing a licensing process document, the CNSC held an information session for stakeholders. The information session was attended by representatives of the nuclear industry, federal, provincial and municipal officials, environmental groups and members of the public. It provided stakeholders an opportunity to ask CNSC staff specific questions and receive clarification on the licensing process.

Federal Environmental Assessments at the CNSC

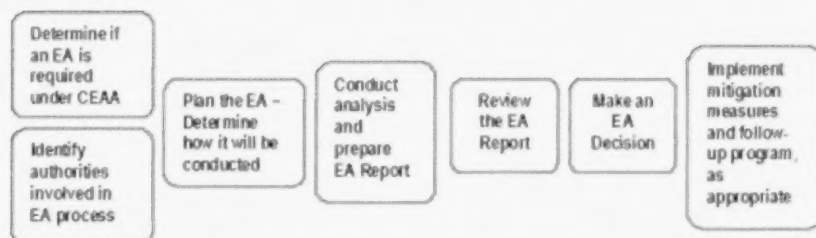
When making certain licensing decisions, the CNSC is subject to environmental assessment obligations and responsibilities under the *Canadian Environmental Assessment Act* (CEAA), which is the basis for federal environmental assessments (EA) in Canada.

An EA is a planning tool used by federal authorities—ministers, departments, departmental corporations and agencies of the Government of Canada—to ensure that the environmental effects of a proposed initiative are identified and evaluated, to provide the public with an opportunity to participate in the process. EAs are beneficial on many levels. Beyond ensuring government accountability, they often result in increased protection of human health and safety, sustainable use of natural resources and minimized risks of environmental disasters.

Under the CEAA, there are two different types of EAs: screenings (including class screenings) and comprehensive studies. Both of these can be directed to the Minister of the Environment for referral to a mediator or review panel should public concerns warrant, or if the project is determined to have significant adverse environmental effects. The CNSC makes certain that the required EAs are conducted prior to the Commission issuing or amending a licence that permits a project to proceed.

Though the majority of federal projects are assessed through screenings, others require a comprehensive study. These tend to be large projects, such as nuclear power plants, Class I nuclear facilities, and uranium mines and mills, that generate public concerns and have the potential to significantly—and adversely—affect the environment.

The following is an illustration of the main steps in the EA process:



Based on the findings of the EA reports, the CNSC decides whether or not adverse environmental effects are likely to be significant—a decision which is taken into account when determining whether or not a proposed project should proceed. If a proposed project is to be carried out, mitigation measures are implemented and incorporated into design plans. Where required or appropriate, a follow-up program is also designed and implemented to investigate whether or not the EA report predictions were accurate and the mitigation measures effective. If a project is deemed likely to cause significant adverse environmental effects, a mediator or a review panel may be appointed by the federal Minister of the Environment to impartially review and assess the proposal and its projected effects.

Public participation is an essential element of the EA process. As the regulator of the Canadian nuclear industry, the CNSC continually strives to be effective while operating in an open and transparent fashion. The CNSC's approach to public involvement in the EA process fully meets CEAA requirements. It is also consistent with the CNSC's public consultation and risk-management policies, and the Commission's expectations for facilitating transparent and open decision-making. In 2005–2006, the Commission conducted eight EA-related hearings during which guidelines identifying the parameters of environment assessments and EA screening reports on significant projects were approved. The CNSC expects increased EA activity in 2006–2007, in light of expected announcements about Ontario's future energy plans.

3. HIGH LEVELS OF COMPLIANCE WITH THE REGULATORY FRAMEWORK

Achieving high levels of licensee compliance with legislation and regulations is fundamental to the work of the CNSC and critical in assuring Canadians of the safety and security of nuclear installations and processes. In addition, the CNSC's compliance work involves ensuring that Canada meets international commitments made by the Government of Canada.

3.1 *Implementing a consistent, risk-informed compliance program*

In recent years, the rapid evolution of the CNSC's regulated sectors has had a significant impact on the level and type of compliance verification activity the CNSC must conduct. In this reporting period, the CNSC advanced the implementation of risk-informed strategies to guide the scope of its regulatory activities, including inspection frequencies and resource requirements.

The CNSC continues to implement the new Type I and Type II³ inspection planning program, along with associated compliance tools. Inspection results are analyzed for performance trends, which are used to make risk-informed decisions when setting compliance investigation priorities.

Regarding the Power Reactor Regulation Improvement Program (PRRIP), 2005–2006 saw the drafting of guidance tools on risk-informed decision making. Trial implementation will commence at the beginning of 2006–2007. Full implementation is expected to be completed over the course of the next two years.

In the area of nuclear substance regulation, following the first year of full implementation of a risk-informed approach to regulatory management, the Nuclear Substances Regulatory Program was amended to reflect stakeholder input and lessons learned. Increased understanding and use of risk-informed decision-making tools led to improved planning, scheduling and monitoring of regulatory activities. In addition, new annual compliance-reporting requirements were developed to improve the reporting process. These will be introduced during the next reporting period.

3.2 *Ongoing regulatory assurance to Canadians*

The CNSC rigorously enforces its regulatory requirements through a variety of measures. Licensee compliance is verified through inspections, reviews, audits and assessments. The CNSC requires any licensee found to be non-compliant with either its licence conditions or the regulations to resolve the issue and demonstrate improvement by a specified deadline, or face enforcement action.

CNSC staff report on licensee operations through mid-term performance, status, significant development and annual industry reports. This is in addition to performance information provided in licensing hearings, transcripts of which are available to the public along with records of proceedings.

³ *Type I inspections are on-site audits and evaluations of a licensee's programs, processes and practices. Type II inspections are routine (item-by-item) checks and rounds that typically focus on outputs or performance of licensee programs, processes and practices. Findings from Type II inspections play a key role in identifying where a Type I inspection may be required to determine systemic problems in licensee programs, processes or practices.

The Commission conducted several public hearings in 2005–2006 on licensing applications where past compliance-performance of the licensee was a significant assessment factor. The Commission also considered interim reports on licensee performance, and heard more than 30 significant development reports related to events at licensed sites. Subjecting performance and significant development reports to the scrutiny of the Commission tribunal in the context of public proceedings is a very effective means of discussing key matters and seeking resolution of issues in a transparent public forum. The Commission derives some of its regulatory framework priorities from issues raised during public proceedings.

3.2.1 Staying the Course—Ongoing Licensee Compliance Management

Power reactors: CNSC staff observed that the power reactor industry operated safely in 2005. No nuclear power reactor facility worker or member of the public received a radiation dose in excess of the regulatory limits. Emissions from all plants were below regulatory limits.

Nuclear cycle and facilities: Licensees in uranium mining, milling and processing, waste management, and research and test facilities as well as non-power reactors and Class I accelerators, conducted activities within regulatory requirements during the 2005–2006 reporting period. Emissions from all regulated plants and facilities were below regulatory limits. As determined through CNSC inspections and reviews, the facilities were operated safely. No member of the public received a radiation dose in excess of regulatory limits. The overexposure of one nuclear energy worker was reported by a licensee. Subsequent independent medical advice stated that the risk of adverse health effects to that worker is very low. The licensee then applied for—and received—a permanent exemption from the Commission with respect to the extremity dose limit for the affected worker.

In 2005, the CNSC announced its decision to open a site office at Atomic Energy Canada Limited's Chalk River Laboratories. There, CNSC will carry out on-site compliance activities, including inspections and audits. The decision was made following a risk assessment of the licensee's activities and the extent of compliance activities required by CNSC staff. The new site office opened in May 2006. It is the sixth site office operated by the CNSC at a major Canadian nuclear facility. Site offices enhance the regulator's ability to effectively and efficiently engage in compliance activities.

Nuclear substance compliance: During the reporting period, there were approximately 3,000 active nuclear substance and radiation device licences. While six workers in the radiography industry received radiation doses in excess of the regulatory limits, the licensees performed all required follow-up actions.

Nuclear import and export controls: To ensure compliance with Canada's international commitments to nuclear non-proliferation, the CNSC verifies licensee compliance with the terms and conditions of licences for the import and export of nuclear and dual-use materials. This is achieved through nuclear-material reporting and accounting, reconciliation of inventory accounts with partner countries, review of licensing reports submitted pursuant to licence conditions, and in collaboration with the Canada Border Services Agency.

3.2.2 Licensee information-management system

The CNSC's staff tracks licensee performance over time and across sectors. With the increase in CNSC's workload, the complexity and volume of licensee information is growing, and consistent analysis and identification of resulting regulatory remedies is becoming more difficult. Thus, the CNSC is developing an integrated licensee information-management system across all regulated sectors. This project is part of a comprehensive multi-year initiative for which additional funding was provided to the CNSC. In 2005–2006, a number of the fundamental elements of the CNSC's information platform were implemented to facilitate further project development.

3.2.3 Strengthening the safety-performance rating system for nuclear power plants

The CNSC *Annual Industry Report on the Safety Performance of the Canadian Nuclear Power Industry* contains the Report Card on Nuclear Power Plant Performance. This report is publicly available on the CNSC website (www.nuclearsafety.gc.ca), and can also be obtained directly from CNSC. The rating system enables the CNSC to objectively grade the performance of nuclear power plant facilities in a number of critical safety areas. The CNSC continued to improve the objectivity and consistency of the rating system. The most recent Report Card is duplicated in Section IV of this report.

3.2.4 Revised baseline compliance program for nuclear facilities

During the year, a draft baseline compliance program was developed for the oversight of nuclear power reactor facilities. The program defines a minimum set of regulatory activities required of a licensee who consistently meets safety performance expectations by operating safely and in accordance with licence conditions. This program was partially integrated into the operational planning process for 2006–2007. Additional activities are added on a risk-informed basis for each licensee.

3.3 Compliance with international obligations

3.3.1 Canada's multilateral arrangements

In Canada, the CNSC is responsible for implementing agreed-upon measures regarding the international control of the development, production and use of nuclear energy, including the non-proliferation of nuclear weapons and nuclear explosive devices. During the reporting period, the CNSC presented its *Third Report to the Convention on Nuclear Safety* at the convention's review meeting held in Vienna in May 2005. The report, which was developed in consultation with industry representatives and select Government of Canada departments, describes the state of nuclear power reactor safety in Canada. Similar reports are prepared every three years and are subjected to review and questioning by international peers. In addition, in accordance with international commitments, the CNSC prepared *Canada's Second National Report to the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management*. This report is to be presented at the IAEA's Second Review Meeting in Spring 2006.

In September 2005, the CNSC was part of Canada's delegation to attend the *International Convention on the Physical Protection of Nuclear Materials (CPPNM)* to address the current security environment. Also in September, the CNSC contributed to develop the Canadian government's position for the *International Convention for the Suppression of Acts of Nuclear*

Terrorism. This convention was signed by Canada on September 14, 2005. The CNSC is responsible for implementing both these conventions in Canada.

3.3.2 Non-proliferation and bilateral nuclear cooperation commitments

The CNSC ensures that Canada meets its Nuclear Non-Proliferation Treaty obligations by administering Canada's Nuclear Cooperation Agreements (NCAs) with nuclear trading partners. This is achieved through the CNSC's implementation of the provisions of Canada's bilateral administrative arrangements with counterpart agencies in other countries. These provisions include measures such as: bilateral notifications, the provision of performance reports to nuclear trading partners, maintenance of inventory accounts, and the review and verification of the performance reports Canada receives from nuclear trading partners. All of these activities support Canada's nuclear non-proliferation policy, reinforce Canada's status as a responsible nuclear trading partner and strengthen the international nuclear non-proliferation regime.

3.3.3 Safeguards—a Significant Achievement

The CNSC is responsible for implementing the Canada/IAEA *Safeguards Agreement and Additional Protocol*. Under these agreements, the CNSC is specifically identified as responsible for the State System of Accounting for and Control of Nuclear Material in Canada. Through its regulatory process, the CNSC ensures that IAEA safeguards inspectors are provided access to nuclear facilities, and all relevant licensees have policies and procedures in place to report and monitor nuclear material and nuclear activities. In 2005, the CNSC, in co-operation with the IAEA and Cameco Corporation, undertook a significant initiative to establish initial inventory verifications at Cameco's conversion and refining facilities, and to successfully implement routine safeguards. This was done because IAEA policy was changed to include these types of operations among safeguards requirements. Safeguards measures are the basis for IAEA's credible assurance that (i) all declared nuclear material in a State is for peaceful, non-explosive uses, and (ii) there is no undeclared nuclear material or activity. In September 2005, the IAEA reached a safeguards conclusion for Canada extending to the lack of undeclared nuclear material or activity for the first time. This very significant conclusion will enable the IAEA to fundamentally change safeguards implementation in Canada, moving away from a facility-specific perspective to one that focuses more on considerations relevant to the Member State as a whole. The CNSC is committed to maintaining this conclusion.

4. CNSC COOPERATES AND INTEGRATES ITS ACTIVITIES IN NATIONAL AND INTERNATIONAL NUCLEAR FORA

The CNSC regularly participates in a variety of domestic and international fora to advance nuclear safety and security at home and abroad, and share best practices and benchmarking with counterparts and other agencies.

4.1 Nuclear Emergency Management

The CNSC manages its emergency management program as part of the Federal Nuclear Emergency Plan.

The CNSC held consultations with stakeholders in 2005–2006 to finalize its Nuclear Emergency Management (NEM) Policy (P-325). The policy, published in May 2006, is the foundation for all CNSC emergency-management documentation and activities. It provides guiding principles and

direction for CNSC staff activities, improves consistency, and clarifies legal basis and roles and responsibilities for nuclear emergency management.

In addition, key improvements are being made to the CNSC's NEM Program. The revised program is to be fully implemented by March 2007. The action plan is in progress and on schedule, and new elements are incorporated into the program as they become ready. A Memorandum of Understanding has been signed with Public Safety and Emergency Preparedness Canada regarding an alternate Emergency Operations Centre (EOC) location in the event the CNSC's EOC in Ottawa were to become unavailable.

Cooperation and coordination are imperative in emergency management. In November 2005, the CNSC participated in a simulation exercise of a major nuclear emergency with the Province of Ontario and Ontario Power Generation at the Darlington Nuclear Generating Station. The exercise involved stakeholders from the federal, provincial and municipal governments. Areas in need of improvement were identified and corrective actions are underway.

CNSC staff, along with staff from Defence Research and Development Canada (DRDC), travelled to South-East Asia in early 2006 to provide Chemical Biological Radiological Nuclear training to first responders as part of the Counter-Terrorism Capacity Building plan instituted by Foreign Affairs Canada. First responders from Thailand, Malaysia, Indonesia and the Philippines participated in the session. The CNSC is leading a centre of excellence in knowledge and expertise in radiological/nuclear emergencies, and the involvement of CNSC staff in various national and international activities helps harmonize emergency-management approaches and practices among key stakeholders.

4.2 *Canadian Safeguards Support Program*

Managed and funded by the CNSC, the Canadian Safeguards Support Program (CSSP) assists the IAEA with the enhancement of its safeguards regime. During the reporting period, the CSSP and the CNSC helped the IAEA implement a Public Key Infrastructure (PKI) system. The PKI allows for the exchange of sensitive correspondence using electronic mail, which will benefit Canada and all other parties communicating with the IAEA.

The transfer of knowledge by the CNSC to the IAEA regarding the application of satellite monitoring and geospatial information systems to international safeguards activities continues to be important. This support provides the IAEA with cutting-edge technology that improves the agency's ability to obtain and manage information on nuclear activities worldwide and draw safeguards conclusions. The CSSP also introduced the IAEA to several other new technologies for safeguards application. As a result, the IAEA has requested that the CSSP further develop two particular instruments and continue to expose the IAEA to new technologies that will increase its capability to detect undeclared activities and nuclear material. The CNSC's ability to continue supporting this work is subject to the availability of sufficient resources.

The CSSP also provided support to resolve deficiencies in equipment used to seal spent fuel at a CANDU reactor in Romania. The underwater sealing system seals spent fuel in the spent-fuel bays of CANDU reactors and is currently being used by the IAEA in Romania and Canada to verify that stacks of spent fuel remain undisturbed. The IAEA encountered difficulties with the system in Romania and requested assistance from the CSSP. The CSSP's assistance helped Romania meet its safeguards obligations.

4.3.1 International bilateral cooperative arrangements

The CNSC negotiates and maintains Memoranda of Understanding (MoU), Administrative Arrangements and Protocols with a number of foreign regulators. These arrangements support each respective party's regulatory programs through the exchange of information and technical cooperation. In 2005–2006, the CNSC renewed the MoU it has with its Republic of France nuclear regulatory counterpart, and negotiations were advanced in the renewal of a MoU with its South Korean counterpart. The CNSC also maintains an ad hoc information exchange and cooperative relationships with other nuclear regulators with whom no formal arrangements have been made.

4.3.2 Domestic cooperative arrangements

As a federal regulator, the CNSC has a number of cooperative arrangements in Canada to improve the effectiveness of the overall regulatory regime.

Province of Saskatchewan: In 2005–2006, the CNSC and the Province of Saskatchewan continued to implement the Administrative Agreement signed in 2002–2003 that qualified a number of provincial staff as CNSC inspectors. To date, implementation has focused on harmonizing the compliance programs of the CNSC and those of two government departments: Saskatchewan Environment and Saskatchewan Labour. The next priority is to determine the type of work provincial inspectors will do on behalf of the CNSC. The agreement provides for greater administrative efficiency in regulating the uranium industry.

Environment Canada: The CNSC continued work with Environment Canada on the terms of reference of their 2003 MoU and its annex, signed in 2004. The MoU commits both organizations to assist each other in the performance of certain activities, preventing duplication of effort and improving efficiency of the regulatory regime.

Province of Quebec: The CNSC meets quarterly with the Province of Québec's *Ministère de Développement durable, de l'Environnement et des Parcs* regarding environmental compliance issues related to the Gentilly-2 Nuclear Generating Station.

Transport Canada: The CNSC is establishing a MoU with Transport Canada regarding the packaging and transportation of nuclear substances. The MoU will outline areas of responsibility and cooperation between the two agencies as they relate to the transport of dangerous goods (Class 7) in Canada.

4.3.3 Focused international participation

There are a number of organizations that bring countries together in the interest of safe use of nuclear technology. The CNSC plays an important role in several of these international fora to share best practices, benchmark the Canadian nuclear regulatory regime against those of its peers and bring a Canadian perspective to the development and implementation of international standards. Due to increasing international demands on the international scene, the CNSC has now established an international relations group to coordinate the CNSC's international activities and to optimize resource utilization.

CNSC President and CEO selected to head the International Convention meeting



The Third Review Meeting of the IAEA's Convention on Nuclear Safety was held in Vienna, Austria, in April 2005. The purpose of the meeting was to review the status of nuclear power plant safety worldwide, through national reports and peer reviews.

Linda J. Keen, President and CEO of the CNSC, was elected as President of the Third Review Meeting by signatory countries. This marks the first time a Canadian has been selected as an executive officer for the Convention on Nuclear Safety, reflecting international recognition of the CNSC's efforts as a

leading nuclear regulator in the areas of effectiveness, efficiency, openness and transparency.

On her election as President of the Third Review Meeting of the Contracting Parties to the Convention on Nuclear Safety, Ms. Keen remarked, "The tenth anniversary of the adoption of the Convention is a crucial time for the Contracting Parties, their nuclear industries and their national regulators to reaffirm their commitments under the Convention to promote a high level of nuclear safety worldwide."

The Convention on Nuclear Safety was adopted in 1994 and represents the international community's commitment to the safe operation and effective regulation of nuclear power plants. Canada was one of the convention's first signatories. The convention came into force on October 24, 1996; there are currently 65 signatory countries to the convention, of which 55 are contracting parties.

The Convention on Nuclear Safety commits participating states to maintaining a high level of safety in the operation and regulation of nuclear power plants.

The Canadian delegation for the Third Review Meeting presented the *Canadian National Report on Nuclear Safety—Third Report*. The report demonstrates that by systematically monitoring the implementation and operation of safety-related programs, Canada continues to meet its obligations under the terms of the Convention on Nuclear Safety. The report focuses on a number of themes, including:

- improvements to the CNSC's regulatory framework;
- the implementation of the Integrated Improvement Programs in the routine nuclear power plant site operational projects of two Canadian licensees;
- the return to service of three power reactor units;
- use of the CNSC rating scheme to assess nuclear industry safety-related programs and their implementation;
- the extension of licence periods of nuclear power plants in Canada beyond two years; and
- progress made on numerous generic and specific safety issues.

Together, twenty representatives of federal and provincial government departments, the Canadian nuclear power industry and the CNSC produced the report.

5. STAKEHOLDERS' UNDERSTANDING OF THE REGULATORY PROGRAM

5.1 *Stakeholder intervention*

Public hearings and meetings are a key element of the CNSC's outreach activities. The Commission publishes *Records of Proceedings*, including *Reasons for Decision*, to explain the basis for licensing decisions. This document along with information about the Commission's proceedings and processes, is publicly available and can be found on CNSC's website. The CNSC's website was significantly improved in 2005–2006 in response to suggestions from stakeholders. It now features a more user-friendly search capacity that allows interested persons to browse records by facility name or type, licensee name, hearing or meeting date, and document type (agenda, notice, transcript and record of proceedings (decision)). On its website, the Commission also posts—at no cost to the user—the complete transcripts of all public proceedings within days of the events, another best practice confirmed through the benchmarking analysis conducted by the Commission. Pamphlets and other documentation also provide the public with useful and clear information on the Commission and how the public can participate in Commission hearings.

In 2005–06, 192 intervenors participated—through written and/or oral submissions—in the 29 public hearings. Intervenors included non-governmental organizations, environmental protection organizations, First Nations, citizens' groups, municipalities, unions, government departments and members of the public. The views of many other stakeholders were communicated to the Commission by means of CNSC staff submissions, in which staff reported on pre-consultations conducted on draft Environmental Assessment Guidelines or Screening Reports.

The Commission continued to facilitate access to public hearings and meetings during the reporting period by offering improved teleconference and videoconference services. Although most proceedings are held in Ottawa, an increasing number of affected communities are using videoconferencing as a cost-effective way of participating. Pilot testing of the web-casting of Commission proceedings continued in 2005–2006.

The Commission periodically holds hearings in communities where the concerned nuclear facility or activities are located, in an effort to encourage public participation in its proceedings. During 2005–2006, hearings which were scheduled to be held in affected communities were cancelled or postponed by licensees. All public hearings are advertised in local media and notices on the Commission's website well in advance. The Commission Secretariat is also in frequent contact with media representatives to ensure accurate reporting of Commission tribunal activities to affected communities.

The CNSC is committed to openness and transparency as means of achieving its strategic outcome—public confidence.

5.2 *Sustained and consistent stakeholder relationships*

The CNSC engages stakeholders through a variety of consultation processes, information sharing and communications activities. Using public environmental analysis and stakeholder information surveys, the CNSC's outreach activities target appropriate stakeholders and apply consistent messaging.

5.2.1 Outreach activities and strategic communications planning

The CNSC continued to carry out targeted outreach activities in 2005–2006 to heighten public awareness and understanding of regulated nuclear activities and the CNSC's role. Various outreach approaches were proposed during the reporting period, however, in 2005, a decision was made to fully integrate a new well-structured and sustainable outreach program into a strategic communications plan. Although the strategic communications plan remained in draft form in 2005–2006, a number of elements proposed in the plan were implemented. However, due to other priorities, not as many elements were implemented as anticipated. The CNSC Strategic Communication Plan is expected to be finalized in 2006–2007.

Outreach activities undertaken in 2005–2006 included meetings with licensee boards of directors, union representatives and union stakeholders, provincial authorities, mayors of communities near nuclear facilities, technical associations, industry representatives and staff at nuclear facilities. In addition, the CNSC provided all Canadians the opportunity to participate directly in the licensing process during public hearings.

The CNSC regularly participates in meetings of the Environmental Quality Committee (EQC) in Saskatchewan. The EQC is a standing committee that helps reassure the people of Saskatchewan, particularly those residing in the North, that uranium mines are operating in compliance with all applicable federal and provincial regulations, and northern economic benefits are being maximized through appropriate hiring practices and policies. The EQC bridges residents, government and the uranium mining industry, which operates primarily in Saskatchewan. It improves the level of communication with, and input from, northern residents to better ensure consideration of their concerns when making regulatory and policy decisions regarding uranium. These meetings are an opportunity for the CNSC to update representatives of northern Saskatchewan communities on the status of projects that affect them, and to provide information on the CNSC's regulatory oversight and joint regulatory approach. This includes giving the EQC timely, constructive feedback and information on interventions the committee has submitted to the Commission during public hearings.

5.2.2 Monitoring the Public Environment

The CNSC continued to undertake public opinion research and analysis throughout 2005–2006. A survey—covering six regions in which large nuclear facilities are located was administered to assess knowledge, perceptions and attitudes towards nuclear regulation. With in-depth knowledge and understanding of the public environment, the CNSC can develop targeted communications, consultation and outreach activities that effectively and efficiently contribute to stakeholder understanding of the regulatory program.

The results of the survey indicated that:

- People who live near a large nuclear facility have opinions similar to those of the general Canadian public, but have slightly more awareness of, and confidence in, the CNSC.
- Sixty-five percent of Canadians living in the six communities surveyed are confident that Canada's nuclear industries are effectively regulated, though levels of confidence vary between the six communities. For example, Canadians living near the nuclear facility located in the Bruce area in Ontario have the highest levels of awareness and confidence, whereas those living near the Bécancour area in Québec near the Gentilly-2 nuclear power reactor have the lowest.

In 2005–2006, the CNSC also performed a secondary analysis of stakeholder-relations data gathered in late 2004. The CNSC concluded that:

- Overall, stakeholders have a positive impression of the CNSC and its communications, but less favourable opinions about CNSC consultations.
- Stakeholders from licensed organizations are more likely to have positive opinions of the CNSC than non-licensee stakeholders.

In addition to carrying out public opinion research, the CNSC updated its annual public environmental analysis to obtain a picture of Canada's current political, social and cultural climate in which it operates. Using data from over 200 sources, the analysis concluded that support for– and debate about–nuclear energy increased substantially in 2005, but the prospect of refurbishing existing nuclear power reactors garners more support than the construction of new nuclear power plants.

A media review indicated that the CNSC continues to receive about 168 media calls each year. In the media's coverage of the CNSC, the majority of media stories were neutral or positive in tone, portraying the CNSC as a key player in ensuring safety and security at Canada's nuclear facilities.

6. MANAGEMENT AND ENABLING INFRASTRUCTURE

The CNSC's management and enabling infrastructure ensures that the Commission and CNSC staff have the necessary leadership, support and guidance to plan, perform and monitor the activities required to achieve the CNSC's strategic outcomes.

6.1 Governance, accountability and stewardship

As planned, the CNSC continued to demonstrate good governance, accountability and stewardship by adhering to government policies on the disclosure of contracts, travel, hospitality and other senior management expenses maintaining a responsible system of internal controls and reporting to central agencies and to the public in a transparent and complete manner.

The CNSC established a corporate-wide Quality Management Program in 2005–2006 to enable measured improvement toward its vision of being one of the best nuclear regulators in the world. The program is founded in accordance with the requirements and guidance of *IAEA Safety Standard GS-R-1*, *Planned Safety Standard DS-113* and accompanying safety guides. A Quality Council, headed by the CNSC's Chief Quality Officer, was created, and is supported by a new division responsible for internal quality management. The Quality Management Program is designed to be a continuous improvement initiative that will build upon existing efforts and integrate them into a single framework.

As a starting point for the quality-management initiative, in December 2005, the CNSC invited the International Atomic Energy Agency (IAEA) to send an International Regulatory Review Team (IRRT) to Canada under the agency's Integrated Regulatory Review Service (IRRS). The IRRT is composed of experts selected by the IAEA from member countries who will compare the regulatory framework, practices and management system of the CNSC with international best practices, and evaluate the CNSC's progress and performance in fulfilling its regulatory mandate and objectives. In 2005–2006, the CNSC initiated a self-assessment project in preparation for the

IRRT review, which will take place in 2007. Findings from the self-assessment will lead to the formulation of a comprehensive agency-wide corrective action plan in 2006 with an emphasis on power reactor regulation.

6.2 Values and ethics

The CNSC recognizes that values and ethics must inform leadership and governance. Thus, the CNSC implemented a Values and Ethics Strategy in 2005–2006. The strategy provides standards for ethical expectations and guidance to CNSC staff on ethical decision-making, leadership and conduct. The CNSC holds a significant responsibility for public trust, and an active ethics strategy demonstrates the CNSC's commitment in this regard. A process has been put in place that enables staff to disclose wrongdoing in a manner that is safe and free from reprisals.

6.3 People

In an effort to build a strong team of leaders, the CNSC provided leadership and management workshops to the management cadre in 2005–2006. The use of 360-degree performance evaluations, implemented for executive management in 2004–2005, was expanded to include all Directors General and Directors in 2005–2006. A 360-degree evaluation is an anonymous and confidential process whereby feedback on an individual's leadership skills (e.g. direction and communication skills) is obtained from a sampling of peers, colleagues and supervisors. It provides very balanced feedback for individual improvement plans in the areas of leadership and professional development.

Following the government's approval in June 2005 of the CNSC's request for additional funding to address increasing business pressures, the CNSC moved quickly to respond to corresponding staffing needs. A new process was defined to address the growing number of staff required as a result of the increased volume of work. The CNSC is placing increased emphasis on human resource planning to support long-term needs identification. Proactive recruitment and retention strategies are being developed to attract and retain the required mix of skills and experience in the future.

As reported in the *2004–2005 Performance Report*, part of the CNSC's workforce was certified in 2004 by the Public Service Staff Relations Board (PSSRB) to be represented by the Professional Institute of the Public Service of Canada (PIPSC). Collective-bargaining with newly unionized staff began in 2004, and was still underway as of March 31, 2006.

The CNSC continues to ensure that staff members who are not among those certified by the PSSRB are adequately represented in the various health and safety committees and workgroups within the CNSC.

6.4 Risk management

As elaborated on in Section I, the CNSC has established a very rigorous environmental scanning approach that has led to requests for additional funds to manage workload increases. Corporate priorities are informed by a risk analysis of the CNSC's changing operating environment. The CNSC's Corporate Services Branch uses a similar approach to establish priorities for the provision of an enabling infrastructure.

6.5 *Results and performance*

The CNSC has identified corporate-wide information management and technology projects to be undertaken to facilitate electronic exchanges of information with licensees and to improve document and data management within the CNSC.

In 2005–2006, progress was made on building the foundation elements of a technology platform. A new information management/information technology (IM/IT) governance structure was established to ensure IM/IT projects are properly prioritized, adequately funded and consistent with the CNSC's strategic direction. The new structure required the establishment of a cross-functional committee of directors.

6.5.1 **Implementation of a performance-measurement framework**

The CNSC recognizes the importance of being able to measure both the effectiveness and efficiency of its programs, and has initiated the development of an integrated performance management framework. Overall effectiveness of regulatory oversight requires **outcome measures** relating to the collective impact of activities conducted not only by the CNSC, but also by licensees and other stakeholders. As stated in the CNSC's Regulatory Fundamentals Policy (P-299), those persons and organizations that are subject to the NSCA and regulations are directly responsible for managing regulated activities in a manner that protects health, safety, security and the environment, while respecting Canada's international obligations. The CNSC is responsible for regulatory policies and programs which assure that these responsibilities are properly discharged. Since the CNSC is not in control of all results, its measures reflect expectations of sound risk-informed oversight.

Efficiency, on the other hand, is measured using ongoing monitoring of the CNSC's performance against external and internal **performance standards** relating to individual activities undertaken and their associated outputs.

6.5.2 **Outcome measures**

The outcome-measurement framework is derived from the CNSC Logic Model (see Section IV). During the year, the CNSC sought to implement the set of outcome measures published in its *2004–2005 Performance Report*. Some of the CNSC's outcome measures indicate licensee performance within the regulatory framework. These measurements inform, firstly, the licensee and the CNSC of the licensee's performance, and secondly, the CNSC of the overall effectiveness of the regulatory framework. The outcome measurement framework is being given increased emphasis in 2006–2007. The following table is a revised list of outcome measures for which information will be gathered in 2006–2007.

	Outcome	Outcome Measure	2005-2006
1.	A clear and pragmatic regulatory framework.	Percentage of regulations under review/revision in year (this will ensure a complete rolling review over five years).	18% (3 of 11) completed in 2005-06
		Number of regulations published in Canada Gazette.	1 (Nuclear Security Regulations)
		Number of regulatory documents finalized and published.	A total of 5 types of regulations were finalized and published (1 policy, 3 standards and 1 guide) See Section IV.4
2.	Individuals and organizations that operate safely and conform to safeguards and non-proliferation requirements.	Number of cases of delays in implementing effective regulatory control (licensing action) pursuant to the NSCA or Significant Development Reports (SDR's) subsequent to licence approval.	Measurement to be developed
3.	High levels of compliance with the regulatory framework.	Level of licensee performance ratings assessed by the CNSC on each of the power reactors, as per the CNSC Report Card on Nuclear Power Plant Performance. The CNSC measures separately (i) the quality of the existing safety program and (ii) its implementation. The ratings provided are: • A = Exceeds requirements • B = Meets requirements • C = Below requirements • D = Significantly below requirements • E = Unacceptable	See Section IV
		Annual IAEA statement indicating Canada's compliance with international standards with respect to safeguards and non-proliferation.	Achieved in 2005
		100% provision by the CNSC of nuclear transfer notifications and reports pursuant to bilateral Administrative Arrangements.	Achieved in 2005
4.	CNSC cooperates and integrates its activities in national/ international nuclear fora.	100 % reconciliation by the CNSC of bilateral nuclear material inventory reports, annually.	Achieved in 2005
5.	Stakeholder understanding of the regulatory program.	Level of stakeholder confidence in the CNSC's ability to regulate the use of nuclear energy and materials. Level of stakeholder participation in the CNSC's decision-making process. To obtain this information, the CNSC will conduct a survey of stakeholders every three years and will publish the results.	Measurement to be developed

6.5.3 Performance Standards

It is important to note that the relationship between licensees and the CNSC, as an independent regulator, is not a service relationship; hence, there are no service standards. External performance standards focus on the needs and expectations of external stakeholders.

In 2005–2006, the Treasury Board Secretariat (TBS) completed an annual assessment of the user fee information tabled in the CNSC's *2004–2005 Departmental Performance Report*. The TBS report stated that the CNSC is in compliance with the reporting requirements of the *User Fees Act* and the federal *Policy on Service Standards for External Fees*.

Given that the CNSC is currently in the early stages of implementing a performance standard reporting cycle for certain activities, it is expected these standards will mature over time. The standards will be consistent with program objectives, as well as responsive to stakeholder expectations.

External performance standards include:

Activity	Performance standard	Target (Percentage of time the standard is carried out)	2005–2006 Results
Compliance			
Verification			
Upon completing the verification activity, the CNSC will:			
Issue Type I Inspection Report ⁴	within 60 business days	80%	50%
Issue Type II Inspection Report ⁵	within 40 business days	80%	86%
Issue Desktop Review Report ⁶	within 60 business days	90%	70%
Enforcement			
When an order is made, the CNSC will:			
Confirm, amend, revoke or replace the order (see Regulatory Guide – G-273)	within 10 business days	100%	100%
Licensing			
For requests pertaining to <u>existing</u> licence, the CNSC will:			
Screen the request for completeness and issue a notification indicating whether or not the licensing request is complete ⁷ .	within 20 business days	90%	100%
Issue a licensing decision when a public hearing is not required (assuming an environmental assessment under the CEAA is not required).	within 80 business days	80%	97%

⁴ With existing resource levels, preliminary inspection results were examined.

⁵ In power reactors, unless major issues arise, findings from field and control-room inspections are reported on a quarterly basis, within 40 business days of end of quarter.

⁶ Using the CNSC's risk-informed approach to regulation, initial priority was given to the completion of reports whose results were of greater significance.

⁷ The screening process does not apply to DNSR operations.

Issue a licensing decision when a public hearing is required (assuming an environmental assessment under the CEAA is not required) (see INFO-0715) ⁸ .	within 160 business days	90%	100%
Publish proceeding records, including the reasons for decisions, upon conclusion of a public hearing ⁹ .	within 30 business days	90%	78%
Access to Information (ATI)			
Respond to requests under the ATI and Privacy Acts.	within legislated time periods stated in the Acts	90%	94%
Response to public inquiries			
Acknowledge request	on same business day	100%	100%
Complete request - low complexity	on same business day	100%	100%
Complete request - medium complexity	within 5 business days	100%	95%
Complete request - high complexity	within 10 business days	100%	80%
External Communications			
Post the President's speeches to the Internet ¹⁰	within 4 working hours of completing the final copy in both official languages	95%	80%
Place public hearings advertisements ¹¹	within deadlines stipulated in the regulations	100%	95%
External Reporting to Central Agencies			
File <i>Performance Report on Plans and Priorities</i> and <i>CNSC Performance Report</i>	within required timelines	100%	100%

⁸ The screening process does not apply to DNSR operations; the hearing process is not required for DNSR licensing decisions.

⁹ The delay in publishing *Records of Proceedings*, including "Reasons for Decisions", can be attributed to some complex decisions made in early 2005–2006.

¹⁰ The posting of speeches is occasionally delayed in order to ensure changes made to the speech made during delivery are accurately incorporated into the text that is posted in both official languages.

¹¹ Under the *CNSC Rules of Procedure*, the Commission has the authority to vary any of the rules to ensure that proceedings are dealt with as informally and expeditiously as possible. During the 2005–2006 reporting period, the Commission exercised this authority for one public hearing and subsequently, the advertisements appeared after the normal period of notice.

SECTION III: SUPPLEMENTARY INFORMATION

Table 1:	Comparison of planned to actual Spending (including FTEs)
Table 2:	Resources by program activity
Table 3:	Voted and statutory items
Table 4:	Services received without charge
Table 5:	Sources of respendable and non-respendable revenue
Table 6-A:	User-fees act
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Table 7:	Major regulatory initiatives
Table 8:	Audited Financial Statements
Table 9:	Response to Parliamentary Committees, and audits and evaluations for Fiscal Year 2005-06
Table 10:	Travel policies

Table 1: Comparison of planned to actual spending (including FTEs)

(\$ millions)	2003-04 Actual	2004-05 Actual	2005-06			
			Main estimates	Planned spending	Total authorities	Total actuals
Nuclear regulation	67.6	73.2	66.3	71.1	78.9	75.5
Total	67.6	73.2	66.3	71.1	78.9	75.5
Less: non-respondable revenue	(42.1)	(48.8)	N/A	(52.4)	N/A	(52.6)
Plus: cost of services received without charge	7.8	8.1	N/A	7.9	N/A	8.2
Total departmental spending	33.3	32.5	N/A	26.6	N/A	31.2
Full-time equivalents	508.3	516.8	N/A	526.0	N/A	516.8

Table 2: Resources by program activity

(\$ millions)

2005-06									
Program Activity	Budgetary							Plus: Non-budgetary	Total
	Operating	Capital	Grants	Contributions and Other Transfer Payments	Total: Gross Budgetary Expenditures	Less: Respendable Revenue	Total: Net Budgetary Expenditures	Loans, Investments, and Advances	
Nuclear Regulation									
Main Estimates	66.1	-	0.1	0.1	66.3	-	66.3	-	66.3
Planned Spending	70.9	-	0.1	0.1	71.1	-	71.1	-	71.1
Total Authorities	78.6	-	0.1	0.2	78.9	-	78.9	-	78.9
Actual Spending	75.2	-	0.1	0.2	75.5	-	75.5	-	75.5

Table 3: Voted and statutory items

(\$ millions)

Vote or statutory item	Truncated vote or statutory wording	2005-06			
		Main estimates	Planned spending	Total authorities	Total actuals
20	Operating expenditures	58.5	63.3	70.7	67.3
20	Grants and contributions	0.2	0.2	0.3	0.3
(S)	Contributions to employee benefit plans	7.6	7.6	7.9	7.9
	Total	66.3	71.1	78.9	75.5

Table 4: Services received without charge

(\$ millions)	2005-2006
Accommodation provided by Public Works and Government Services Canada	4.5
Contributions covering employers' share of employees' insurance premiums and expenditures paid by Treasury Board of Canada Secretariat (excluding revolving funds). Employer's contribution to employees' insured benefits plans and associated expenditures paid by TBS	3.4
Salary and associated expenditures of legal services provided by the Department of Justice Canada, audit services provided by the Auditor General of Canada, and Others.	0.3
Total 2005-2006 Services received without charge	8.2

Accommodations provided by Public Works and Government Services Canada can be obtained from Ruth Merkley by telephone at (613) 949-1855 or by e-mail at Ruth.Merkley@pwgsc.gc.ca.

Salary and associated expenditures of legal services provided by the Department of Justice Canada can be obtained from Arjun Patil at (613) 954-5615.

The amount to be used for government payments to employee insurance plans, such as the Public Service Health Plan and the Public Service Dental Plan, is eight per cent of the personnel input factor.

Table 5: Sources of spendable and non-spendable revenue

Non-spendable revenue

(\$ millions)	Actual 2003-04	Actual 2004-05	2005-06			
			Main Estimates	Planned Revenue	Total Authorities	Actual
Nuclear Regulation						
Licence Fees						
- Regulatory Plan Activity Fees	34.7	40.6	-	41.9	-	45.1
- Formula Fees	2.9	3.4	-	5.3	-	3.8
- Fixed Fees	0.4	0.3	-	0.4	-	0.4
Special Projects	4.1	4.5	-	4.8	-	3.2
Total Spendable Revenue	42.1	48.8	-	52.4	-	52.6

Spendable Revenue – Not applicable

Table 6-A: User-fees act

A. User Fee	Fee Type	Fee-setting Authority	Date Last Modified	2005-06					Planning Years		
				Forecast Revenue (\$000)	Actual Revenue (\$000)	Full Cost (\$000)	Performance Standard	Performance Results	Fiscal Year	Forecast Revenue (\$000)	Estimated Full Cost (\$000)
CNSC Cost Recovery Fees Regulations* - regulates the use of nuclear energy and substances in Canada	Regulatory Services (R)	Nuclear Safety Control Act CNSC Cost Recovery Fees Regulations	July 1, 2003	52,396	52,576	85,199	See section 6.5 Results and Performance – Performance standards	See section 6.5 Results and Performance – Performance standards	2006-2007	61,618	86,935
									2007-2008	66,145	86,682
									2008-2009	66,145	86,682
Fees charged for the processing of access requests filed under the Access to Information Act (ATIA)	Other products and services (O)	Access to Information Act	1992	0	1	1	Response provided within 30 days following receipt of request; the response time may be extended pursuant to section 9 of the ATIA. Notice of extension to be sent within 30 days after receipt of request. The Access to Information Act provides fuller details: http://laws.justice.gc.ca/en/A-1/218072.html .	Statutory deadlines have been met for 94% of requests. Extension notices were sent within 30 days following the receipt of the request in 6% of the cases.			

A. User Fee	Fee Type	Fee-setting Authority	Date Last Modified	2005-06					Planning Years		
				Forecast Revenue (\$000)	Actual Revenue (\$000)	Full Cost (\$000)	Performance Standard	Performance Results	Fiscal Year	Forecast Revenue (\$000)	Estimated Full Cost (\$000)
				Sub-total (R)	Sub-total (R)	Sub-total (R)			Subtotal	2006-07	2006-07
				52,396	52,576	85,199				61,618	86,935
				Subtotal (O)	Subtotal (O)	Subtotal (O)			Subtotal	2007-08	2007-08
				0	1	1				66,145	86,682
				Total	Total	Total			Subtotal	2008-09	2008-09
				52,396	52,577	85,200				66,145	86,682
										Total	Total
										193,908	260,299
B. Date Last Modified											
Extensive consultations with licensees and other key stakeholders took place prior to publication of the new CNSC Cost Recovery Fees Regulations in the Canada Gazette. On July 1, 2003, new CNSC Cost Recovery Fees Regulations were implemented which replace the former AECB Cost Recovery Fees Regulations 1996. The Cost Recovery Advisory Group (CRAG) met in October 2003 to discuss the CNSC's Cost Recovery Program. CRAG members viewed the forum as a positive mechanism for information sharing. The agenda and minutes of the meeting are available on the CNSC's Web site.											
C. Other Information											
* Additional information may be found at www.nuclearsafety.gc.ca											
** Calculation of full cost is based on CNSC audited financial statements											
*** Includes services provided without charge from other government departments											
Please refer to the CNSC Audited Financial Statements for additional detailed information as follows:											
1. Auditors Report – this report states that the CNSC has complied with the CNSC Cost Recovery Fees Regulations for 2005-2006.											
2. Details on revenue charged and the associated cost of operations by fee category											
The CNSC has established two dispute resolution mechanisms internal to the CNSC. The first addresses disputes over the administration of fees and the other over regulatory activity assignments. Details regarding the process and contact information are available on the CNSC Website. During the 2005-2006 fiscal year, four disputes over the administration of fees were brought forward by licensees. All complaints were resolved at the first level of grievance through the Dispute Resolution Mechanism for Fee Administration.											

Table 6-B: Policy on service standards for external fees

A. External Fee	Service Standard	Performance Result	Stakeholder Consultation
CNSC Cost Recovery Fees Regulations	See Section 6.5 Results and Performance – Performance Standards	See Section 6.5 Results and Performance – Performance Standards	See table 6-A
Access to Information Act	See Table 6-A	See Table 6-A	Established under the Access to Information Act
B. Other Information Response provided within 30 days following receipt of request; the response time may be extended pursuant to section 9 of the ATIA. Notice of extension to be sent within 30 days after receipt of request.			

Table 7: Major regulatory initiatives

The preparation of regulations pursuant to the *Nuclear Safety and Control Act* is a key regulatory initiative undertaken by the CNSC.

Regulations	Expected Results	Performance measurement criteria	Results achieved
<i>Proposed Nuclear Safeguards Regulations</i>	Establish generic safeguards regulations in lieu of existing safeguards licence conditions to facilitate compliance with international safeguards agreements.	Fulfilling Canada's international commitments consistently and efficiently.	Continuing to develop scope based on the requirements of the Safeguards Agreement and Additional Protocol between Canada and the IAEA.
<i>Nuclear Security Regulations - Amendment</i>	Ensure that Canada's security requirements are compatible with international standards.	Ensure CNSC sustains its' competent authority.	Concluded stakeholders input on proposed amendments and republished in Canada Gazette Part I in June 2005 - will be in place by the end of 2006.
<i>Nuclear Substances and Radiation Devices Regulations - Amendment</i>	The changes are designed to address a number of errors that have been noted by the Parliamentary Standing Joint Committee on Regulations; to correct a number of regulatory deficiencies that have come to light since the regulations came into force on May 31, 2000; and to adopt the latest IAEA Basic Safety Standards exemption values.	Consultation with licensees and stakeholders to address deficiencies in the current regulations and to introduce the latest international values used to regulate the possession of nuclear substances.	Prepublication consultation in Canada Gazette completed in December 2005 with amended regulations expected to come into force in 2008.
<i>Class II Nuclear Facilities and Prescribed Equipment Regulations - Amendment</i>	The changes are designed to address a number of errors that have been noted by the Parliamentary Standing Joint Committee on Regulations and to	Amendments needed to address deficiencies, enhance safety and reflect up to date international	Amendments proposed in December 2005 after pre-publication consultation with

	correct a number of regulatory deficiencies that have come to light since the regulations came into force on May 31, 2000.	standards by consultation with licensees and stakeholders.	stakeholders. Publication in the Canada Gazette scheduled for 2007 and amended regulations coming into force in 2007-2008.
<i>Nuclear Non-proliferation Import and Export Control Regulations - Amendment</i>	Ensure that the export and import provisions and licensing requirements are compatible with developments in international agreements and guidance; address issues raised by the Parliamentary Standing Joint Committee on regulations; and clarify minor ambiguities.	Heightened concerns on scope and possible intent of nuclear programs necessitated the development of the new standard CNSC S-336	Initiated the amendments to the drafted instructions - publication in the Canada Gazette is scheduled for 2007 and the amended regulations to come into force in 2007-2008.
<i>Canadian Nuclear Safety Commission Rules of Procedure and Canadian Nuclear Safety Commission By-laws</i>	Up-to-date <i>Rules of Procedure</i> and <i>By-laws</i> that reflect best practices in the area of administrative tribunals.	Benchmarking analysis against other Canadian tribunals.	Further to informal consultations conducted in 2005-06, planning a wider and more formal consultation in 2006-2007 as a result of the Standing Joint Committee on the Scrutiny of Regulations.

Table 8: Audited Financial Statements

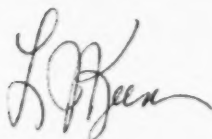
Management Responsibility for Financial Statements

The integrity and objectivity of the accompanying financial statements of the Canadian Nuclear Safety Commission (CNSC) for the year ended March 31, 2006 and all information included in its annual report are the responsibility of CNSC management.

These financial statements have been prepared by management in accordance with Treasury Board accounting policies and year-end instructions issued by the Office of the Comptroller General, which are consistent with Canadian generally accepted accounting principles for the public sector. Some of the information in the financial statements is based on management's best estimates and judgement and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the CNSC's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in this annual report and CNSC's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act* and regulations as well as CNSC policies and statutory requirements such as the *Canadian Nuclear Safety Commission Cost Recovery Fees Regulations*. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the CNSC.

The CNSC's external auditor, the Auditor General of Canada, has audited the financial statements and at the specific request of the CNSC, compliance with the *Canadian Nuclear Safety Commission Cost Recovery Fees Regulations*. The Auditor General has reported on her audit and compliance findings to the CNSC and to the Minister of Natural Resources.



Linda J. Keen
President and CEO



Claude Caron
Vice President and CFO
Corporate Services Branch

Ottawa, Canada
June 2, 2006

Auditor's Report

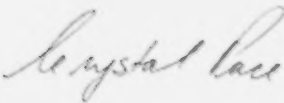
To the Canadian Nuclear Safety Commission
and the Minister of Natural Resources

I have audited the statement of financial position of the Canadian Nuclear Safety Commission as at March 31, 2006 and the statements of operations, equity of Canada and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Further, in my opinion, the Canadian Nuclear Safety Commission has complied, in all significant respects, with the *Canadian Nuclear Safety Commission Cost Recovery Fees Regulations* pursuant to the *Nuclear Safety and Control Act*.



Crystal Pace, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
June 2, 2006

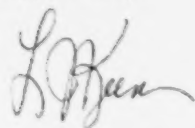
**Statement of Financial Position
as at March 31**

	2006	2005
Assets		
Financial assets:		
Due from the Consolidated Revenue Fund	\$8,309,921	\$6,273,832
Accounts receivable (Note 4)	<u>5,581,161</u>	<u>4,665,597</u>
	13,891,082	10,939,429
Non-financial assets:		
Prepaid expenses	344,367	256,489
Tangible capital assets (Note 5)	3,138,646	3,309,023
Total Assets	\$17,374,095	\$14,504,941
Liabilities		
Accounts payable and accrued liabilities	\$8,309,921	\$6,273,832
Vacation pay and compensatory leave	3,617,848	3,350,110
Deferred revenue (Note 6)	3,443,184	4,944,687
Employee severance benefits (Note 9b)	<u>9,145,863</u>	<u>8,510,976</u>
	24,516,816	23,079,605
Equity of Canada	(7,142,721)	(8,574,664)
Total Liabilities and Equity of Canada	\$17,374,095	\$14,504,941

Contractual obligations and contingent liabilities (Note 10)

The accompanying notes are an integral part of these financial statements.

Approved by:



Linda J. Keen
President and CEO



Claude Caron
Vice President and Chief Financial Officer
Corporate Services Branch

**Statement of Operations
for the year ended March 31**

	2006	2005
Revenues		
Licence fees	\$49,336,934	\$44,296,069
Special projects	3,206,374	4,489,706
Other	34,190	10,143
Total revenues (Note 7)	52,577,498	48,795,918
Expenses		
Salaries and employee benefits	55,383,938	54,458,975
Professional and special services	10,993,080	10,701,495
Furniture, equipment repairs and rental	7,083,812	4,412,733
Accommodation	4,630,628	4,640,009
Travel and relocation	3,555,388	3,699,005
Communication and information	1,946,908	1,613,672
Utilities, materials and supplies	773,027	597,019
Grants and contributions	333,962	226,957
Other	499,206	489,855
Total expenses (Note 7)	85,199,949	80,839,720
Net cost of operations	\$32,622,451	\$32,043,802

The accompanying notes are an integral part of these financial statements.

**Statement of Equity of Canada
for the year ended March 31**

	2006	2005
Equity of Canada at beginning of year	(\$8,574,664)	(\$13,018,735)
Net cost of operations	(32,622,451)	(32,043,802)
Services provided without charge (Note 12a)	8,195,630	8,138,745
Net cash provided by government (Note 3c)	23,822,675	27,216,320
Change in due from the Consolidated Revenue Fund	2,036,089	1,132,808
Equity of Canada at end of year	(\$7,142,721)	(\$8,574,664)

The accompanying notes are an integral part of these financial statements.

**Statement of Cash Flows
for the year ended March 31**

	2006	2005
Operating Activities		
Net cost of operations	\$32,622,451	\$32,043,802
Non-cash items		
Amortization of tangible capital assets (Note 5)	(485,052)	(481,056)
Write-down of tangible capital assets	(20,316)	---
Services provided without charge by other Government departments and agencies (Note 12a)	(8,195,630)	(8,138,745)
Net gain on disposal of surplus assets	7,276	3,759
Variations in Statement of Financial Position:		
Increase in accounts receivable	915,564	2,035,061
Increase (decrease) in prepaid expenses	87,878	(13,080)
(Increase) in liabilities	(1,437,211)	(623,863)
Cash used by operating activities	23,494,960	24,825,878
Capital Investment Activities		
Acquisitions of tangible capital assets (Note 3a)	335,550	2,394,201
Proceeds on disposal of surplus assets	(7,835)	(3,759)
Cash used by capital investment activities	327,715	2,390,442
Net cash provided by government (Note 3c)	\$23,822,675	\$27,216,320

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements as at March 31, 2006

1. Authority and Objectives

The Canadian Nuclear Safety Commission (CNSC) was established in 1946 by the *Atomic Energy Control Act*. Prior to May 31, 2000, when the federal *Nuclear Safety and Control Act* (NSCA) came into effect, the CNSC was known as the Atomic Energy Control Board (AECB). The CNSC is a departmental corporation named in Schedule II to the *Financial Administration Act* and reports to Parliament through the Minister of Natural Resources.

The *Nuclear Safety and Control Act* provides comprehensive powers to the CNSC to establish and enforce national standards for nuclear energy in the areas of health, safety and environment. It establishes a basis for implementing Canadian policy and fulfilling Canada's obligations with respect to the non-proliferation of nuclear weapons. The CNSC is empowered to require financial guarantees, order remedial action in hazardous situations and require responsible parties to bear the costs of decontamination and other remedial measures.

The objectives of the CNSC are to:

- regulate the development, production and use of nuclear energy and the production, possession and use of nuclear substances, prescribed equipment and information in order to: a) prevent unreasonable risk to the environment, to the health and safety of persons and to national security; and b) achieve conformity with measures of control and international obligations to which Canada has agreed; and
- disseminate scientific, technical and regulatory information concerning: a) the activities of the CNSC; b) the development, production, possession, transport and use of nuclear energy and substances; and c) the effects of nuclear energy and substances use on the environment and on the health and safety of persons.

The CNSC also administers the *Nuclear Liability Act*, including designating nuclear installations and prescribing basic insurance to be carried by the operators of such nuclear installations, and the administration of supplementary insurance coverage premiums for these installations.

The CNSC recovers expenditures related to its regulatory activities from users licensed under the Act. These expenditures include the technical assessment of licence applications, compliance inspections and the development of licence standards. On July 1, 2003 new *Canadian Nuclear Safety Commission Cost Recovery Fees Regulations* were implemented which replace the former *AECB Cost Recovery Fees Regulations 1996*. The new fees are being phased in over a three-year period through application of fee reductions amounting to 15% in the first year, 10% in the second year and 5% in the third year.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Treasury Board accounting policies and year-end instructions issued by the Office of the Comptroller General, which are consistent with Canadian generally accepted accounting principles for the public sector. The significant accounting policies are:

a) *Parliamentary appropriations*

The CNSC is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to the CNSC do not parallel financial reporting according to generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily

the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the two bases of reporting.

b) Net cash provided by Government

The CNSC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the CNSC is deposited to the CRF and all cash disbursements made by the CNSC are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.

c) Due from the Consolidated Revenue Fund

Due from the Consolidated Revenue Fund represents the amount of cash that the CNSC is entitled to draw from the Consolidated Revenue Fund, without further appropriations, in order to discharge its liabilities.

d) Revenue

Revenue is recognized in the period in which the underlying transaction or event occurred that gave rise to the revenue. Licence fee revenue is recognized on a straight-line basis over the period to which the fee payment pertains (normally three months or one year). Licence fees received for future year licence periods are recorded as deferred revenue. Revenue from licence fees, contract projects and other sources is deposited to the Consolidated Revenue Fund and is not available for use by the CNSC. Legislative authority allows for the respending of amounts received on the disposal of surplus assets.

e) Vacation pay and compensatory leave

Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.

f) Pension benefits

All eligible employees participate in the Public Service Pension Plan, a multi-employer plan, administered by the Government of Canada. The CNSC's contributions to the Plan are charged to expenses in the year incurred and represent the total CNSC obligation to the Plan. Current legislation does not require the CNSC to make contributions for any actuarial deficiencies of the Plan.

g) Employee severance benefits

Employees are entitled to severance benefits, as provided for under their respective terms of employment. The cost of these benefits is accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

h) Services provided without charge by other government departments and agencies

Services provided without charge by other government departments and agencies are recorded as operating expenses at their estimated cost. These include services such as: accommodation provided by Public Works and Government Services Canada, contributions covering employers' share of employees' insurance premiums and costs paid by Treasury Board Secretariat, salaries and associated legal costs of services provided by Justice Canada, audit services provided by the Office of the Auditor General, and workers' compensation benefits provided by Human Resources and Social Development Canada.

i) Grants and contributions

Grants are recognized in the year in which entitlement of recipients has been established, while contributions are recognized in the year in which the conditions for payment are met.

j) Accounts receivables

Accounts receivables are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.

k) Tangible capital assets

Tangible capital assets with an acquisition cost of \$10,000 or more are recorded at their acquisition cost. Amortization is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Asset Class	Amortization Period
Furniture and equipment	5 to 20 years
Informatics equipment and software	2 to 5 years
Motor vehicles	4 years

l) Nuclear Liability Reinsurance Account

The CNSC administers the Nuclear Liability Reinsurance Account on behalf of the federal government. The CNSC receives premiums paid by the operators of nuclear installations for the supplementary insurance coverage and credits these to the Nuclear Liability Reinsurance Account in the Consolidated Revenue Fund. Since the CNSC does not have the risks and rewards of ownership, nor does it have accountability for this account, it does not include any of the associated financial activity or potential liability in its financial statements. Financial activity and liability is however reported in Note 11 of these financial statements.

m) Measurement uncertainty

The preparation of these financial statements in accordance with Treasury Board accounting policies and year-end instructions issued by the Office of the Comptroller General, which are consistent with Canadian generally accepted accounting principles for the public sector, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary Appropriations

The CNSC receives its funding through Parliamentary appropriations. Items recognized in the statement of operations and the statement of financial position in one year may be funded through parliamentary appropriations in prior, current and future years. Accordingly, the CNSC has different net results of operations for the year on a government funding basis than on an accrual accounting basis. These differences are reconciled below.

a) Reconciliation of net cost of operations to current year appropriations used

	2006	2005
Net cost of operations	\$32,622,451	\$32,043,802
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Add (Less)		
Amortization of tangible capital assets	(485,052)	(481,056)
Vacation pay and compensatory leave	(267,738)	(213,842)
Services provided without charge by other Government departments and agencies	(8,195,630)	(8,138,745)
Revenue not available for spending	52,577,498	48,795,918
Employee severance benefits	(634,887)	(778,127)
Other expenses	<u>(742,604)</u>	<u>(655,803)</u>
	42,251,587	38,528,345
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Add (Less)		
Acquisitions of tangible capital assets	335,550	2,394,201
Prepaid expenses	<u>340,110</u>	<u>214,039</u>
	675,660	2,608,240
Current year appropriations used	\$75,549,698	\$73,180,387

b) Appropriations provided and used

	2006	2005
Parliamentary appropriations voted:		
Vote 20 - CNSC Operating expenditures	\$71,034,019	\$68,017,200
Less: Lapsed appropriation	<u>3,383,949</u>	<u>2,425,660</u>
	67,650,070	65,591,540
Statutory		
Spending of proceeds from disposal of surplus assets	6,311	1,035
Contributions to employee benefit plans	7,893,317	7,587,812
Current year appropriations used	\$75,549,698	\$73,180,387

c) Reconciliation of net cash provided by Government to current year appropriations used

	2006	2005
Net cash provided by Government	\$23,822,675	\$27,216,320
Revenue not available for spending	52,577,498	48,795,918
Change in net position in the Consolidated Revenue Fund:		
Variation in accounts receivable	(915,564)	(2,035,061)
Variation in accounts payable and accrued liabilities	2,036,089	1,132,808
Variation in deferred revenues	(1,501,503)	(1,500,915)
Other adjustments	(532,153)	(470,726)
Refunds of prior years' expenses	62,656	42,043
Current year appropriations used	\$75,549,698	\$73,180,387

4. Accounts Receivable

	2006	2005
Licence fees	\$5,330,648	\$4,233,803
Other	250,513	431,794
Net receivables	\$5,581,161	\$4,665,597

5. Tangible Capital Assets

Capital Asset Class	Cost				Accumulated Amortization				2006	2005
	Opening Balance	Acquisitions	Disposals/ Adjustments	Closing Balance	Opening Balance	Amortization	Disposals/ Adjustments	Closing Balance	Net Book Value	Net Book Value
Furniture & Equipment	\$3,721,735	\$90,683	\$20,316	\$3,792,102	\$826,394	\$313,320	\$—	\$1,139,714	\$2,652,388	\$2,895,341
Informatics equipment & software	757,110	101,232	164,384	693,958	435,308	122,316	163,825	393,799	300,159	321,802
Motor vehicles	444,513	143,635	48,342	539,806	352,633	49,416	48,342	353,707	186,099	91,880
Total	\$4,923,358	\$335,550	\$233,042	\$5,025,866	\$1,614,335	\$485,052	\$212,167	\$1,887,220	\$3,138,646	\$3,309,023

Amortization for the current year amounts to \$485,052 (2005 - \$481,056) and is included in other expenses on the statement of operations.

6. Deferred Revenue

	2006	2005
Balance at beginning of year	\$4,944,687	\$6,445,602
Less: revenue recognized in licence fees in the year	(4,871,268)	(6,403,401)
Add: fees received in the year for future year licence periods	3,369,765	4,902,486
Balance at end of year	\$3,443,184	\$4,944,687

7. Summary of Expenditures and Revenues by Cost Recovery Fee Category

	Revenue	Licences Provided Free of Charge (Note 8)	2006 Total Value of Licences and Other Revenue	2005 Total Value of Licences and Other Revenue	2006 Cost of Operations	2005 Cost of Operations
Licensing, Certification & Compliance						
Regulatory Plan Activity Fees						
Power reactors	\$33,045,840	\$---	\$33,045,840	\$29,900,355	\$35,248,916	\$33,690,541
Non-power reactors	1,010,680	280,185	1,290,865	1,305,369	1,376,944	1,474,702
Nuclear research & test establishments	3,598,612	---	3,598,612	3,002,441	3,838,494	3,383,063
Particle accelerators	---	362,500	362,500	344,147	386,672	339,091
Uranium processing facilities	1,817,970	---	1,817,970	1,543,800	1,939,189	1,739,493
Nuclear substance processing facilities	577,075	---	577,075	272,577	615,560	310,008
Heavy water plants	35,055	---	35,055	11,774	37,396	13,266
Radioactive waste facilities	1,128,870	---	1,128,870	993,807	1,204,156	1,119,782
Fusion facilities	---	---	---	---	---	---
Uranium mines & mills	3,627,998	34,360	3,662,358	3,924,010	3,898,645	4,453,525
Waste nuclear substance licences	255,375	522,410	777,785	516,818	829,745	579,801
Total Regulatory Plan Activity Fees	45,097,475	1,199,455	46,296,930	41,815,098	49,375,717	47,103,272
Formula Fees						
Nuclear substances	3,615,635	4,106,060	7,721,695	7,018,285	7,115,805	7,560,905
Class II nuclear facilities	193,387	1,864,572	2,057,959	2,018,126	2,290,562	2,486,997
Dosimetry services	29,825	2,944	32,769	49,049	757,378	693,913
Total Formula Fees	3,838,847	5,973,576	9,812,423	9,085,460	10,163,745	10,741,815

Fixed Fees						
Transport licences and transport package certificates	197,675	450	198,125	132,505	223,293	431,250
Radiation device and prescribed equipment certificates	143,822	15,700	159,522	108,250	941,764	272,134
Exposure device operator certificates	59,115	---	59,115	82,450	---	43,310
Total Fixed Fees	400,612	16,150	416,762	323,205	1,165,057	746,694
Total Licensing, Certification & Compliance	49,336,934	7,189,181	56,526,115	51,223,763	60,704,519	58,591,781
Non-Licensing and Non-Certification						
Co-operation undertakings	34,190	---	34,190	10,143	11,805,112	12,243,854
Stakeholder relations	---	---	---	---	9,084,344	4,812,991
Regulatory framework	---	---	---	---	227,738	521,812
Special projects, other revenue and related expenses	3,206,374	---	3,206,374	4,489,706	3,378,236	4,669,282
Total Non-Licensing and Non-Certification	3,240,564	---	3,240,564	4,499,849	24,495,430	22,247,939
Total	\$52,577,498	\$7,189,181	\$59,766,679	\$55,723,612	\$85,199,949	\$80,839,720

8. Licences Provided Free of Charge by the CNSC

The CNSC provides licences free of charge to educational institutions; not-for-profit research institutions wholly owned by educational institutions; publicly funded health care institutions; not-for-profit emergency response organizations; and federal departments. The total value of these licences amounted to \$7,189,181 (2005 - \$6,927,694).

9. Employee Future Benefits

a) Pension Benefits

The CNSC and all eligible employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans and they are indexed to inflation. The employer's and employees' contributions to the plan were as follows:

	2006	2005
CNSC's contributions	\$5,841,054	\$5,561,867
Employees' contributions	2,247,601	\$2,269,595

b) Employee Severance Benefits

The CNSC provides severance benefits to its employees based on eligibility, years of service and final salary. This benefit plan is not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31 is as follows:

	2006	2005
Accrued benefit obligation, beginning of year	\$8,510,976	\$7,732,849
Expense for the year	1,477,249	1,245,415
Benefits paid during the year	(842,362)	(467,288)
Accrued benefit obligation, end of year	\$9,145,863	\$8,510,976

10. Contractual Obligations and Contingent Liabilities

a) Contractual Obligations

The nature of the CNSC's activities results in some multi-year contracts and obligations whereby the CNSC will be committed to make some future payments when the services and goods are received. As of March 31, 2006 the CNSC has significant future year's contractual obligations for the following:

	2007	2008	2009	2010 and thereafter
Acquisitions of goods and services	\$3,370,146	\$65,398	\$25,589	\$---
Operating leases	107,016	107,016	27,683	44,883
Total	\$3,477,162	\$172,414	\$53,272	\$44,883

b) Contingent Liabilities

Claims have been made against the CNSC in the normal course of operations. Legal proceedings for claims totaling approximately \$55,250,000 (2005 - \$55,250,000) were still pending at March 31, 2006. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statements.

11. Nuclear Liability Reinsurance Account

Under the *Nuclear Liability Act* (NLA), operators of designated nuclear installations are required to possess basic and/or supplementary insurance of \$75 million per installation for specified liabilities. The federal government has designated the Nuclear Insurance Association of Canada (NIAC) as the sole provider of third party liability insurance and property insurance for the nuclear industry in Canada. NIAC provides insurance to nuclear operators under a standard policy.

The policy consists of two types of coverage: Coverage A and Coverage B. Coverage A includes only those risks that are accepted by the insurer, that is, bodily injury and property damage. Coverage B risks include personal injury that is not bodily, for example psychological injury, damage arising from normal emissions and damage due to acts of terrorism. Effective in 2003, the federal government agreed to provide coverage for damage due to acts of terrorism which was previously provided under Coverage A.

NIAC receives premiums from operators for both coverages, however, premiums for Coverage B risks are remitted to the federal government which reinsures these risks under a Reinsurance Agreement between NIAC and the federal government. The federal government, through the Reinsurance Agreement also pays the difference (supplementary insurance) between the basic insurance amount set by the CNSC and the full \$75 million of liability imposed by the NLA. As of March 31, 2006 the total supplementary insurance coverage is \$584,500,000 (2005 - \$584,500,000).

All premiums paid by the operators of nuclear installations for the supplementary insurance coverage are credited to a Nuclear Liability Reinsurance Account in the Consolidated Revenue Fund. Premiums received in respect of coverage for damage due to acts of terrorism amount to \$273,154 (2005 - \$140,523). Claims against the supplementary insurance coverage are payable out of the Consolidated Revenue Fund and charged to the Account. There have been no claims against or payments out of the Account since its creation.

As explained in Note 2 I), the CNSC administers the Nuclear Liability Reinsurance Account on behalf of the Government of Canada through a specified purpose account consolidated in the Public Accounts of Canada. During the year, the following activity occurred in this account:

	2006	2005
Opening balance	\$832,799	\$690,476
Receipts deposited	274,754	142,323
Closing balance	\$1,107,553	\$832,799

12. Related Party Transactions

The CNSC is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The CNSC enters into transactions with these entities in the normal course of business. Certain of these transactions are on normal trade terms applicable to all individuals

and enterprises, while others are services provided without charge to the CNSC. All material related party transactions are disclosed below.

a) Services Provided Without Charge

During the year, the CNSC received services that were obtained without charge from other government departments and agencies. These are recorded at their estimated cost in the financial statements as follows:

	2006	2005
Accommodation provided by Public Works and Government Services Canada	\$4,481,934	\$4,473,762
Contributions for employer's share of employee benefits provided by the Treasury Board Secretariat	3,450,962	3,398,459
Salary and associated costs of legal services provided by Justice Canada	171,000	171,000
Audit services provided by the Office of the Auditor General of Canada	58,734	63,524
Other	33,000	32,000
Total	\$8,195,630	\$8,138,745

b) Payables and receivables outstanding at year-end with related parties:

During the year, the CNSC expensed \$21,637,725 (2005 - \$18,547,219), which include services provided without charge of \$8,195,630 (2005 - \$8,138,745) as described above and recognized revenue of \$7,920,734 (2005 - \$4,072,168) which include accounts receivables in the amount of \$1,097,876 (2005 - \$774,719).

	2006	2005
Accounts receivable with other government departments and agencies	\$1,102,569	\$1,148,089
Accounts payable to other government departments and agencies	1,476,256	941,758

13. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation.

Table 9: Response to Parliamentary Committees, and audits and evaluations for Fiscal Year 2005–06

Response to Parliamentary Committees
No responses, audits or evaluations for FY 2005-06 were provided to Parliamentary Committees by the Audit and Ethics Group.

Response to the Auditor General including to the Commissioner of the Environment and Sustainable Development (CESD)
The 2005 Status Report of the Auditor General of Canada (OAG) included Chapter 6, entitled "Canadian Nuclear Safety Commission – Power Reactor Regulation". The OAG reported that the CNSC has made satisfactory progress in responding to the Auditor General's recommendations from its 2000 audit of the licensing and regulation of nuclear power reactors. In response, the CNSC noted that it remains strongly committed to ongoing improvements in the area of the focus of this audit, power reactor regulation, as well as in all other areas of regulation within the CNSC's mandate. The CNSC also commented that the OAG's findings were fair and consistent with the CNSC's pursuit of continuous improvement. <u>2005 Report of the Auditor General of Canada – Status Report</u> The OAG also performed its annual audit of the CNSC's financial statements. The OAG concluded that the "CNSC's financial statements present fairly, in all material respects, the financial position of the Commission at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles."

External Audits (Note: These refer to other external audits conducted by the Public Service Commission of Canada or the Office of the Commissioner of Official Languages.)
No external audits were conducted during FY 2005-06

Internal Audits or Evaluations
The CNSC initiated the internal audit of the CNSC's Corporate Security Program in compliance with Section 11 of the Government Security Policy (GSP). The audit concluded that many elements of CNSC's corporate security program meet Government Security Policy (GSP) standards. The CNSC is committed to its staff and takes security and employee safety responsibilities seriously. In response to the report, the CNSC has completed a full departmental threat and risk assessment. It is currently working on establishing a risk informed action plan for addressing the recommendations of the audit report.

Internal Audits or Evaluations
The AEG initiated a "Follow-up Assessment" in March 2005 to review the status of management responses to the recommendations of the 2002 Travel Management Audit Framework. The follow-up assessment determined that satisfactory progress was achieved in: automation of the travel approval and

claims process; international activities framework; and, the implementation of an organization-wide management model to include better planning and reporting processes. Improvement was noted in mandatory information/training sessions and learning and development travel planning. No progress was achieved in reviewing the CNSC Travel Policy.

In response, CNSC management noted that the Travel Policy should remain pending the signing of a collective agreement. The Vice-President, Corporate Services Branch will report to the Committee in one year on the implementation of the recommendations of the Travel management Audit Framework.¹²

Internal Audits or Evaluations

In July 2005, the CNSC's Audit and Ethics Group (AEG) conducted an audit to assess:

- the process by which the decision was made whereby the CNSC became a Public Service Agency and procured and supplied special security equipment to licensees; and
- the purchasing of the special security equipment.

The audit found that the process by which the decision was made to become a Public Service Agency and then procure and supply special security equipment to licensees was reasonable. The administrative processes put in place for the purchase and payment of the special security equipment contained weaknesses.

The audit recommended that a long term policy solution be sought for the purchase and supply of special security equipment. Existing CNSC business processes should be followed to benefit from existing internal controls and the account used for the special security equipment should be reconciled.

Internal Audits or Evaluations

A formative evaluation of the CNSC's contribution to CBRN training of first responders was completed in June 2005. The CNSC's role is to contribute its specific radiological and nuclear (RN) expertise to the design, development and delivery of CBRN training.

The evaluation concluded that before 2002, CNSC had virtually no capacity to deliver RN training to first responders. Three years later, it had successfully established a capacity in terms of experienced staff, tested training materials, and sufficient appropriate equipment to support training.

Table 10: Travel policies

Comparison to the TBS Special Travel Authorities

Canadian Nuclear Safety Commission (CNSC) Travel Policy (Chapter 12)
Authority: Nuclear Safety & Control Act
Coverage: Applies to staff at the Executive level
Principal difference(s) in policy provisions: 1. Daily incidental allowance is \$18.00 (TBS is \$17.30) 2. Private vehicle mileage – TBS low rate is applied more frequently 3. Travel service provider is Global Travel, which is not TBS service provider
Principal financial implications of the difference(s): 1. Cost increase of \$0.70 per travel day for daily incidental allowance 2. Cost reduction of approximately \$0.30 per kilometre for distances traveled and reimbursed at low rate 3. Cost neutral in respect of travel service provider

Comparison to the TBS Travel Directive, Rates and Allowances

Canadian Nuclear Safety Commission (CNSC) Travel Policy
Authority: <i>Nuclear Safety & Control Act</i>
Coverage: Applies to the general employee population
Principal difference(s) in policy provisions: 1. Class of air travel – business class only permitted if travel time to destination is 18 hours or more. This is more stringent than TBS policy 2. Daily incidental allowance is \$18.00 (TBS is \$17.30) 3. Private vehicle mileage – low rate is applied more frequently 4. Travel service provider is Global Travel, which is not TBS service provider
Principal financial implications of the difference(s): 1. Significant cost reduction for business class travel as this class is not permitted for majority of trips to Europe. (CNSC has a substantial requirement to travel overseas) 2. Cost increase of \$0.70 per travel day for daily incidental allowance 3. Cost reduction of approximately \$0.30 per kilometre for distances traveled and reimbursed at low rate 4. Cost neutral in respect of travel service provider

SECTION IV: OTHER ITEMS OF INTEREST

Organizational Information

Report Card on Nuclear Power Plant Performance as of January 2006

Regulatory Framework 2005–2006

Focused International Participation

ORGANIZATIONAL INFORMATION

The CNSC operates as two separate organizations as follows:

- (i) a Commission comprised of up to seven members; and
- (ii) a staff of approximately 550 people.

(i) Commission

The *Nuclear Safety and Control Act* (NSCA) provides for the appointment of up to seven Commission members by the Governor in Council. Members serve for a term not exceeding five years. One member of the Commission is designated as the President of the Commission. This position is currently held by Linda J. Keen.

Supported by the Secretariat, the Commission functions as an independent, quasi-judicial administrative tribunal and court of record. It sets regulatory policy direction on matters relating to health, safety, security and environmental issues affecting the Canadian nuclear industry. It makes independent decisions on the licensing of Canadian nuclear-related activities, and establishes legally-binding regulations. When making decisions, the Commission takes into account the views, concerns and opinions of interested parties and intervenors. Designated Officers are delegated the authority to render licensing decisions for certain categories of nuclear facilities and activities in accordance with the requirements of the NSCA and its associated regulations. However, the Commission itself considers all licensing matters related to major nuclear facilities, for which it holds public hearings in accordance with the *CNSC Rules of Procedure*.

(ii) CNSC Staff

CNSC staff is located at headquarters in Ottawa, site offices at each of Canada's five nuclear power plants, the Chalk River facility of Atomic Energy of Canada Limited, and five regional offices. CNSC staff at site offices assesses nuclear power plant performance against regulations and specific conditions of operating licences. Regional offices conduct compliance activities relating to nuclear substances, transportation, radiation devices and equipment containing nuclear substances. They also respond to unusual events involving nuclear substances.

CNSC staff support the Commission by:

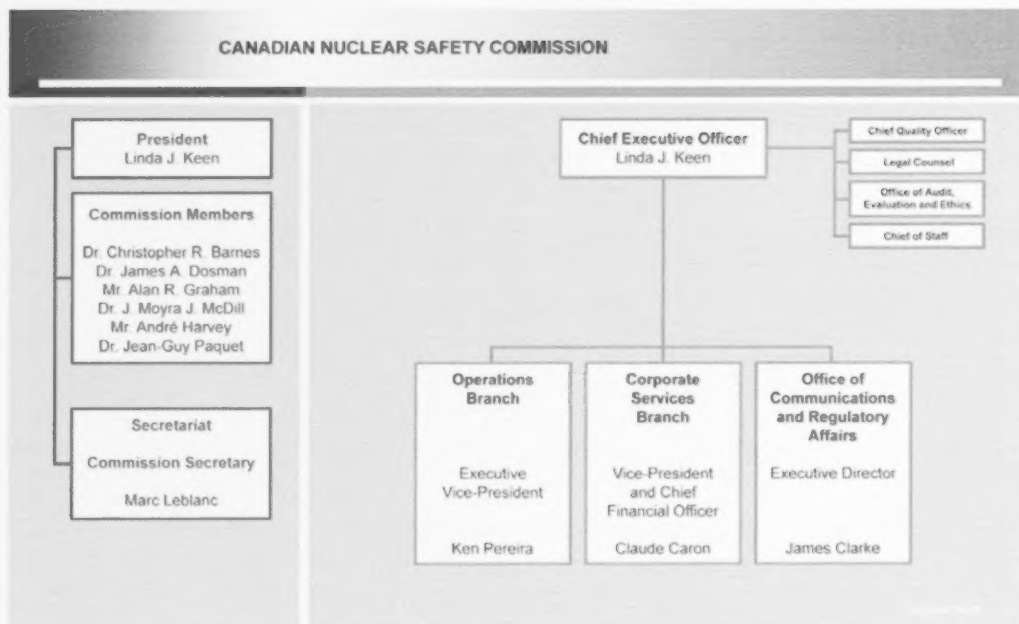
- developing regulatory frameworks,
- carrying out licensing, certification, compliance inspections and enforcement actions,
- coordinating the CNSC's international undertakings,
- developing CNSC-wide programs in support of regulatory effectiveness,
- maintaining relations with stakeholders, and
- providing administrative support.

In addition, staff prepares recommendations on licensing decisions, presents them to the Commission for consideration during public hearings and subsequently administer the Commission's decisions. Where designated, staff also renders licensing decisions.

CNSC locations



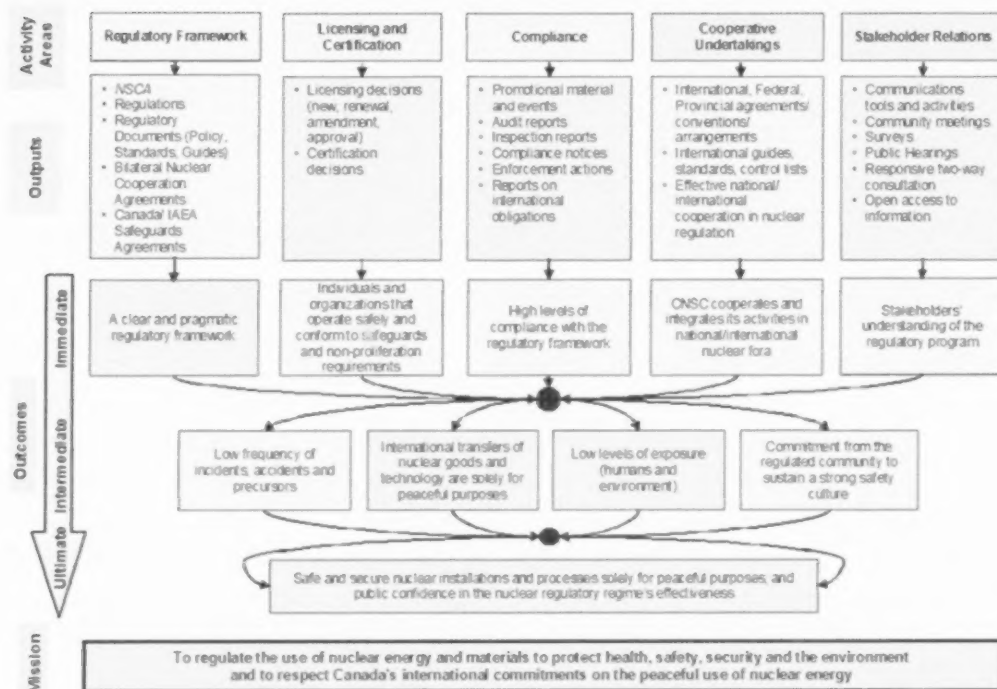
CNSC Organization chart



The CNSC Strategic Framework

The CNSC Strategic Framework uses this logic model for planning, focusing activities and programs, evaluating the contribution of initiatives to CNSC outcomes and illustrating the role of the CNSC as an agency committed to achieving results for Canadians.

CNSC Logic Model – Results for Canadians



REPORT CARD ON NUCLEAR POWER PLANT PERFORMANCE AS OF JANUARY 2006

CNSC staff assesses licensee programs ("P") and their implementation ("I") separately, according to five ratings. As of January 2006, Pickering A Units 2 and 3 reactors which are presently in a long-term lay-up state, will have their fuel and heavy water removed and will be placed in a safe storage state until the station is decommissioned. Bruce A Units 1 and 2 remained defuelled and in a lay-up state.

Safety Area / Program	P / I	Bruce		Darling -ton	Pickering		Gentilly- 2	Point Lepreau
		A	B		A	B		
Operating Performance	P	B	B	B	B	B	B	B
	I	B	B	B	B	B	B	B
Organization & Plant Management	P	B	B	B	B	B	B	B
	I	B	B	B	B	B	B	B
Operations	P	B	B	B	B	B	B	B
	I	B	B	B	B	B	B	B
Occupational Health & Safety (non-radiological)	P	B	B	B	B	B	B	B
	I	B	B	B	B	B	B	B
Performance Assurance	P	B	B	B	B	B	B	B
	I	C	B	B	B	B	C	B
Quality Management	P	C	C	B	B	B	B	B
	I	C	B	B	B	B	C	B
Human Factors	P	B	B	B	B	B	B	C
	I	C	C	B	B	B	C	C
Training, Examination, and Certification	P	B	B	B	B	B	B	B
	I	C	B	B	B	B	C	B
Design & Analysis	P	B	B	B	B	B	B	B
	I	B	B	B	B	C	B	B
Safety Analysis	P	B	B	B	B	B	B	B
	I	B	B	B	B	B	B	B
Safety Issues	P	B	B	B	B	B	B	B
	I	B	B	B	B	B	B	B
Design	P	B	B	B	B	B	B	B
	I	C	B	B	B	C	B	B

Equipment Fitness for Service	P	B	B	B	B	B	B	B
	I	B	B	B	B	C	B	B
Maintenance	P	B	B	B	B	B	B	B
	I	C	B	B	B	C	B	B
Structural Integrity	P	B	B	B	B	B	B	C
	I	B	B	B	B	B	B	C
Reliability	P	B	B	B	B	B	B	B
	I	B	B	B	B	C	B	B
Equipment Qualification	P	B	B	B	B	B	B	B
	I	B	B	C	B	B	B	B
Emergency Preparedness	P	A	A	A	A	A	A	A
	I	A	A	A	A	A	B	B
Environmental Protection	P	B	B	B	B	B	B	B
	I	B	B	B	B	B	B	B
Radiation Protection	P	B	B	B	B	B	B	B
	I	B	B	B	B	B	B	B
Site Security	P	Protected						
	I	Protected						
Safeguards	P	B	B	B	B	B	B	B
	I	B	B	B	B	B	B	B

Legend:

A = Exceeds requirements

B = Meets requirements

C = Below requirements

D = Significantly below requirements

E = Unacceptable

	Indicates an increased rating from last year's report
	Indicates a decreased rating from last year's report

REGULATORY FRAMEWORK 2005–2006

Regulatory amendments in process

The following regulatory amendments were underway during the year:

- ***Nuclear Security Regulations:*** Following extensive input from stakeholders, proposed amendments to the *Nuclear Security Regulations* were re-published in the *Canada Gazette* Part I in June 2005. The amended regulations will strengthen and codify security expectations for nuclear facilities, taking into account current security threats. They will be in place by the end of 2006–2007.
- ***Nuclear Substances and Radiation Devices Regulations:*** Amendments were proposed to the regulations to address deficiencies in the current regulations, and to introduce the latest international values for exemption quantities and clearance levels used to regulate the possession of nuclear substances. Pre-publication consultation with over 3,000 licensees and other stakeholders was completed in December 2005. Publication in the *Canada Gazette* is scheduled for 2007 and the amended regulations are expected to come into force in 2007–2008.
- ***Class II Nuclear Facilities and Prescribed Equipment Regulations:*** Amendments were proposed to address deficiencies, enhance safety and reflect the latest international standards. Pre-publication consultation with over 3,000 licensees and other stakeholders was completed in December 2005. Publication in the *Canada Gazette* is scheduled for 2007 and the amended regulations are expected to come into force in 2007–2008.
- ***Nuclear Non-Proliferation Import and Export Control Regulations:*** Both the IAEA and the international community's heightened concerns about the scope and possible intent of nuclear programs in a number of countries led to a further strengthening of the international nuclear non-proliferation regime. Amendments were proposed to the CNSC's regulations to ensure continued effectiveness and efficiency of regulatory control over imports and exports of proliferation-significant nuclear and dual-use substances, materials, equipment and technology. The amended regulations will also ensure that Canada's regulatory controls continue to reflect international export control guidelines and Canadian nuclear non-proliferation policy. Drafting instructions for amendments to the regulations, which address administrative and technical issues and reflect related international developments, were initiated in 2005–2006. Publication in the *Canada Gazette* is scheduled for 2007 and the amended regulations will come into force in 2007–2008.
- ***CNSC Rules of Procedure & By-laws:*** Based on pre-consultation with industry and non-governmental organization stakeholders, and a benchmarking analysis of CNSC tribunal processes against other leading Canadian tribunals, the Commission continued to review the *CNSC Rules of Procedure* and *By-laws* to make them as clear and user-friendly as possible. The Commission plans to proceed with a broader and more formal consultation on proposed changes to the *Rules of Procedure* in 2006–2007. In 2005–2006, the CNSC addressed issues raised by the Standing Joint Committee on the Scrutiny of Regulations (SJCSR) regarding the *CNSC Rules of Procedure*. The SJCSR recommends ways in which departments and

agencies can technically improve the interpretation and consistency of regulations. The CNSC's response proposes a series of technical amendments to improve the clarity of the *CNSC Rules of Procedure*.

Regulatory documents published

- ***New Simplified and accelerated licensing process for public hearings:*** provides step-by-step guidance on the simplified and accelerated licensing process for public hearings on amendments to Class I nuclear facilities and uranium mine and mill licenses—an area in which the Commission's workload is expected to double in 2006–2007. The new process results in consistent and transparent decision-making within accelerated timelines. A second guidance document sets forth the CNSC's new risk-informed approach to hearings on matters related to the *Canadian Environmental Assessment Act*. These initiatives set out an improved and pragmatic regulatory response based on criteria such as public interest, compliance records, technological innovations, impact on health or environment, etc. They also provide clarity by setting out clearly and objectively the Commission's requirements and expectations.
- ***Probabilistic Safety Analysis (PSA) for Nuclear Power Plants (S-294):*** spells out the requirements for a Probabilistic Safety Analysis that licensees who construct or operate a nuclear power plant must meet when the Regulatory Standard is incorporated into a licence or other legally-enforceable instrument.
- ***Reliability Programs for Nuclear Power Plants (S-98, Revision 1):*** describes what is required of licensees in the development and implementation of a reliability program that ensures systems important to plant safety meet defined design and performance specifications at acceptable levels of reliability throughout the lifetime of the facility.
- ***Environmental Protection Policies, Programs and Procedures at Class I Nuclear Facilities and Uranium Mines and Mills (S-296):*** outlines the environmental protection policies, programs and procedures that licensees must implement at Class I nuclear facilities and uranium mines and mills when the Regulatory Standard is incorporated into a licence or other legally-enforceable instrument.
- ***Developing Environmental Protection Policies, Programs and Procedures at Class I Nuclear Facilities and Uranium Mines and Mills (G-296):*** guides applicants for licences of Class I nuclear facilities and uranium mines and mills in the development of environmental protection policies, programs and procedures.

Regulatory documents in process in 2005–2006

- ***Design Requirements for Nuclear Power Plants (S-337):*** lays out the CNSC's expectations for the design of nuclear power plants. It will provide stakeholders, potential licence-applicants, vendors and the public with greater clarity and support the CNSC's assessment of potential future licence applications.

- ***Management Programs for Aging Nuclear Plants (S-334)***: will ensure effective, integrated management programs are implemented at aging nuclear power plants, and Canadian requirements are closely aligned with draft standards currently being developed by the IAEA.
- ***Life Extension of Nuclear Power Plants (G-360)***: informs licensees of the steps and phases to consider when undertaking a project to extend the life of a nuclear power plant.
- ***Assessing the Long-Term Safety of Radioactive Waste Management (G-320)***: helps licensees and applicants assess the long-term impacts radioactive waste storage and disposal methods have on the environment and public health and safety.
- ***Nuclear Emergency Management (P-325)***: provides guiding principles and direction on CNSC staff activities related to nuclear emergency management.
- ***CNSC Safeguards and Nuclear Non-Proliferation Reporting Requirements (S-336)***: will replace the Atomic Energy Control Board 1049 standard. It summarizes expectations for accounting and reporting on nuclear material that meet both the CNSC's domestic needs and international obligations. The standard is currently undergoing internal review.
- ***Trip Parameter Acceptance Criteria for the Safety Analysis of CANDU Nuclear Power Plants (G-144)***: informs licensees who operate CANDU nuclear power plants of the trip parameters that preclude direct or consequential failures of reactor fuel or reactor pressure tubes.
- ***Technical and Quality Assurance Requirements for Dosimetry Services (S-106) (Revision 1)***: increases confidence in licensed dosimetry-service providers conformance with technical requirements and NSCA quality-assurance measures.

FOCUSED INTERNATIONAL PARTICIPATION

The following describes the important international relationships that the CNSC fostered during the reporting period.

International Atomic Energy Agency (IAEA)

www.iaea.org

- Canada's permanent mission to the United Nations Organization in Vienna, as well as Foreign Affairs Canada and other Canadian stakeholder organizations received input on CNSC positions on safeguards, export control and non-proliferation issues.
- Commission on Safety Standards: the CNSC contributed to the development and revision of nuclear, radiation, waste and transport safety standards.
- CANDU Senior Regulators Group, which exchanges information specific to the regulation of Canadian-made CANDU reactors. The CNSC demonstrates leadership in the regulation of CANDU reactors.
- Standing Advisory Group on Safeguards Implementation and the Advisory Group on Nuclear Security.
- IAEA technical meetings, which bring together member states to create and discuss documents, guidelines, codes of conduct and other normative literature, which are important to regulatory standards in Canada. In 2005–2006, the CNSC helped complete a technical document on the use of control-room simulators in the certification of nuclear power plant room-operators. The document will be made available to all IAEA member states as a reference on the use of simulators. Collaboration with the project's primary participants, Germany and the United States, allowed the CNSC to contribute to the safe operation of nuclear power plants in other countries, and to learn from other leaders in the field.
- Coordinated Research Project (Accident Severity During Air Transport of Radioactive Material): developmental meetings were held during the reporting period.

Nuclear Energy Agency (NEA) of the Organization for Economic Cooperation and Development (OECD)

www.nea.fr

Through the CNSC's involvement in the development of guides, standards, technical documents and other products, Canada is able to ensure continuous monitoring of nuclear safety trends and share its views on the advancement of nuclear regulatory programs worldwide. The CNSC was involved with the following committees in 2005–2006:

- Committee on the Safety of Nuclear Installations and the Committee on Nuclear Regulatory Activities.

- Committee on Radiation Protection and Public Health, an international forum to address issues related to the enhancement of radiation-protection regulation and implementation.

International Nuclear Regulators Association (INRA)

An association comprised of the most senior nuclear-regulation officials from Canada, France, Germany, Japan, Spain, Sweden, the United Kingdom, and the United States. The main purpose of the association is to represent a regulatory perspective while influencing and enhancing worldwide nuclear safety.

G8 Senior Nuclear Regulators

The G8 is an informal group of eight countries (Canada, France, Germany, Italy, Japan, Russia, the United Kingdom and the United States) with a broad agenda that addresses various international economic, political, and social issues. In early 2006, the CNSC's president and CEO participated in the International Conference on Effective Nuclear Regulatory Systems at the 2006 G8 annual meeting which was hosted and chaired by Russia.

United Nations Scientific Committee on the Effects of Atomic Radiation

www.unscear.org

This committee of internationally-renowned experts reviews and summarizes scientific literature on the effects of radiation on humans and biota.

Nuclear Suppliers Group (NSG)

www.nuclearsuppliersgroup.org

The Nuclear Suppliers Group is comprised of countries that seek to contribute to the non-proliferation of nuclear weapons through the implementation of Guidelines for nuclear exports and nuclear related exports. The NSG Guidelines are implemented by each participating government in accordance with its national laws and practices. Decisions on export applications are made at the national level in compliance with national export licensing requirements. The CNSC works with the NSG to strengthen international export control guidelines and control lists.

United States Nuclear Regulatory Commission (NRC)

www.nrc.gov

The CNSC maintained good regulatory cooperation with the United States Nuclear Regulatory Commission (NRC). The CNSC and the NRC share many regulatory objectives, including those under their Security and Prosperity Partnership (SPP). The SPP aims to increase security and enhance prosperity in North America through greater cooperation and information sharing.